

HAS THE DOLLAR
FOUND A BOTTOM?

WHO OWNS
TEXAS?

THE MARKET
THE TECHNICIAN'S VIEW

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DECEMBER 14, 1987

THREE DOLLARS FIFTY CENTS

Forbes

HEARST
CORPORATION'S
FRANK BENNACK
**INSIDE
THE
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EMPIRE**



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DECEMBER 14, 1987
VOLUME 140
NUMBER 13



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Readers Say

Swept away

SIR: Re your question on why the U.S. Navy minesweeping capability disappeared (*Fact and Comment*, Oct. 5). It is always the same. Get the fancy gold-plated weapon. Cut back on supplies, people, training time, fuel and ammo. The minesweepers are orphans who get whatever money is left, if any.

—Edward A. Lester
Midwest City, Okla.

Weapon woes

SIR: Re your article "Russia: arms merchant to the world" (Nov. 2). Clearly, unencumbered sales allow a balance of military power among competing nations through equal access to suppliers. The threat of weapons use remains constant, but the technological gaps and political problems in weapons sourcing are reduced. Certainly the U.S. is missing out on the deals of the century.

—Charles B. Jones Jr.
President,
Shasta Corp.
Atlanta, Ga.

SIR: Why suggest that the U.S. is naive not to match the Soviet zeal for arms peddling? Why ascribe the "insatiable thirst for weapons" only to developing nations? Our own nation may turn into a developing nation yet, if its thirst for arms is not satisfied soon.

Would you say that someone who refuses to peddle heroin is bound by a naive concept of morality?

—Michael Kalk
Chicago, Ill.

Not so bloody Monday

SIR: Your article ("The rich got poorer," Nov. 16) incorrectly reported Roy H. Park's net worth to be \$377 million on Oct. 23, 1987. Based on the accurate figure of \$477 million, the reduc-

tion in Mr. Park's net worth from Sept. 15 would be 13%.

—Wright M. Thomas
Ithaca, N.Y.

All for one?

SIR: Re your encouragement of Mario Cuomo (*Fact and Comment*, Nov. 2). I'm a Rockefeller-Forbes Republican, but by virtue of his bright, fine mind, the goodness of his heart and the eloquence of his tongue, Cuomo is one of our most refreshing public figures.

—William O'Shaughnessy
New Rochelle, N.Y.

SIR: It will be good news for all Americans and for the future of this nation if each political party nominates the best candidate it has. We've seen plenty of illustrations in recent history that when either party does not submit its best, the entire nation loses.

—April A. Kestel
Cincinnati, Ohio

Please forward

SIR: I have long thought that some good could come from your disgruntled readers who write "Please cancel my subscription." Please take the next cancellation and transfer it to: Kennebunk Public Library, Fletcher St., Kennebunk, Me. 04043.

—John M. Roberts
Kennebunk, Me.

Misinformed

SIR: Your article "The Wally and John show" (*The Informer*, Oct. 19) asserts that our initial public offering was priced at \$1 per share. The IPO was \$1 per unit of two shares and one warrant, as stated in our prospectus.

—Jonathan Rosenthal
President,
NetAir International
Van Nuys, Calif.

Fast asleep?

SIR: You state that oil and agriculture are in a depression, banks have been hit by writedowns of foreign loans, much of the thrift industry is broke, real estate is a disaster and manufacturing has been forced to restructure, but these calamities won't affect the

fundamental health of the economy (*Fact and Comment II*, Nov. 2).

Wake up. These are the fundamentals of the economy. They are not healthy and neither is the economy.

—Ronald W. Hauglie
Rush City, Minn.

Hold the 1099

SIR: Your article "You can't hide" (Nov. 16), based on erroneous information we gave you, said that payers of municipal bond interest will have to file Form 1099 information returns with the Internal Revenue Service. This is not the case.

—Steven Pyrek
Public Affairs Officer,
Internal Revenue Service
Washington, D.C.

Multiple matters

SIR: The article "What's your multiple?" (June 1) claimed that the USAA Cornerstone Fund was an example of a high-P/E fund. But interestingly enough, the Cornerstone Fund has not behaved like a high-P/E fund.

—Michael J.C. Roth
Executive Vice President,
USAA Investment Management Co.
San Antonio, Tex.

In the recent crash (Aug. 20 to Oct. 29), Cornerstone lost 24.2% against the market's 26.4% loss as measured by the S&P 500. But it also beat two of the low-P/E funds reported on in the article.—ED.

Self-respect

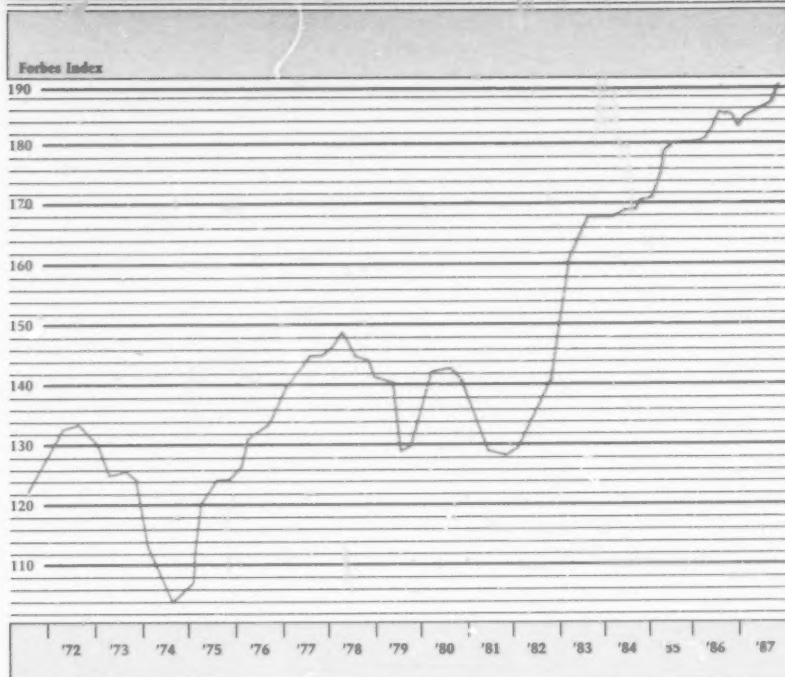
SIR: Re your comment on the wit of Germany's Foreign Minister Genscher (*Fact and Comment*, Oct. 19). Credit Frank Lloyd Wright with the wit. An extract from Charlotte Willard's *Geography of Wright* speaks for itself. "Before the House Un-American Activities Committee, Wright was asked, 'State your name and profession.' Totally unintimidated, Wright replied, 'I am Frank Lloyd Wright, America's greatest architect.'"

"Later, a friend twitted him for his immodesty. Wright, twinkling, answered, 'But I had to tell the truth. I was under oath.'"

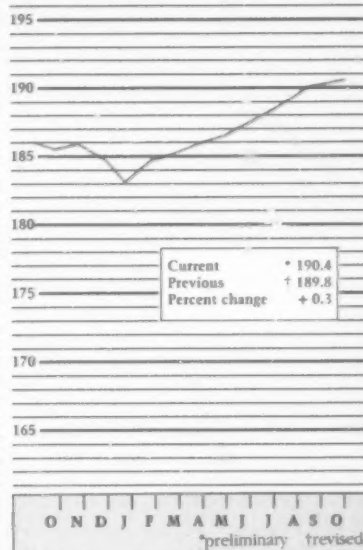
—Richard Giza
Bethesda, Md.



The Forbes Index



12-month closing



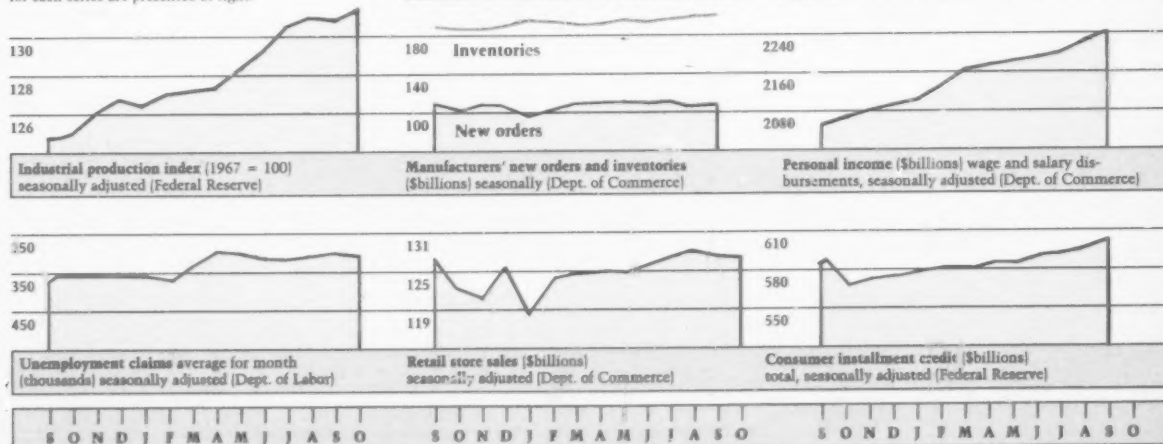
Warning sign. The Forbes Index rose 0.3% in October, but it probably won't expand as rapidly in the coming months. Industrial production went up 0.6%, thanks in part to moderately strong automobile production. U.S. cars were built in October at an annual rate of 7.3 million units. Unfortunately, too many of these vehicles remain on dealers' lots. Both GM and Chrysler announced layoffs in

the past two weeks. The three-month running average of consumer installment credit increased 0.8% in September, to \$596 billion. Meanwhile, two Index components lost ground: Retail sales slipped 0.1% in October, to an annual rate of \$1.53 billion, and the 12-month total of new housing starts was off 1.2%. October 1987 housing starts were 12.5% below the October 1986 figure.

The Forbes Index Components

The Forbes Index is a measure of U.S. economic activity composed of eight equally weighted elements: Total industrial production, new claims for unemployment compensation, the cost of services relative to all consumer prices, the level of new orders for durable goods compared with manufacturers' inventories, total retail sales, new housing starts, personal income, total consumer installment credit.

To measure these eight elements, FORBES monitors ten series of U.S. government data. The last 14 months' data for each series are presented at right.



How, you may ask, did 1987's new issues fare in the crash? Even worse than the major index averages.

Massacre

By Richard L. Stern
and Charles M. Bartlett Jr.

THROUGH THE market's slide and crash, from Sept. 30 to Nov. 5, the S&P 500 dropped a depressing 20.9%

and the Nasdaq composite index of over-the-counter shares was down 26.6%. Grim enough. But in the high-risk world of initial public offerings (IPOs) things were even worse. FORBES' computers tracked 491 of the

551 initial stock issues that went public for \$1 or more in the first nine months of 1987. From Sept. 30 to Nov. 5, those 491 offerings lost 32.17% of their market value.

The companies we followed had raised a total of \$13.7 billion of investors' money. They did pretty well for a while. Despite markets that had been falling since August, their capital had increased in value to \$15.6 billion as of Sept. 30. But when we checked again on Nov. 5, three weeks after the crash, their total market value had dropped to \$10.6 billion.

FORBES has been looking in detail at new issues for nearly two years now, since its development of a new issues database (Dec. 12, 1985). That database now includes some 4,700 issues that have gone public since 1975. Our consistent finding: "New issues are lousy investments."

FORBES measures the performance of IPOs against the S&P 500 because, given the risk of new issue invest-

How the investment banks performed

Investment bankers with at least four new issues brought to market in the first three quarters of 1987 are ranked by the percentage of their IPOs that outperformed the S&P 500. We included only issues of at least \$5 million.

Rank	Underwriter	Number of issues	Average performance— —relative to—			—% of issues with gains— —relative to—		
			actual	S&P 500	Nasdaq	actual	S&P 500	Nasdaq
1	William Blair	4	-11.3%	2.6%	16.1%	50%	50%	50%
2	Dean Witter Reynolds	4	-7.4	6.4	18.0	50	50	50
3	Goldman, Sachs	4	-15.4	-0.3	10.4	14	43	64
4	Robinson-Humphrey*	7	-29.8	-18.2	-8.5	14	43	43
5	EF Hutton	5	-15.8	-3.5	9.0	40	40	40
6	Smith Barney	6	-16.7	-2.7	8.1	17	33	67
7	First Boston	7	-18.5	-3.3	6.5	14	29	57
8	Merrill Lynch	22	-28.5	-16.1	-7.2	14	27	32
9	Evans & Co	4	-35.5	-20.0	-13.2	25	25	25
10	LF Rothschild	4	-44.1	-38.3	-25	0	25	25
11	Shearson Lehman	23	-26.0	-4.9	-4.7	9	32	35
12	Morgan Stanley	9	-26.8	-13.9	-5.4	0	22	33
13	Salomon Brothers	10	-28.1	-14.7	-6.2	10	20	20
14	PaineWebber	10	-40.0	-31.1	-21.8	0	20	20
15	Blunt Ellis	5	-31.9	-17.8	-10.4	0	20	20
16	Advest	5	-38.6	-27.5	-19.4	0	20	20
17	Prudential-Bache	6	-30.2	-17.9	-8.6	0	17	33
18	Drexel Burnham Lambert	29	-32.9	-26.5	-11.8	10	14	24
19	Alex Brown & Sons	19	-31.7	-20.7	-11.7	5	11	37
20	Kidder, Peabody	13	-35.8	-23.9	-15.7	0	8	23
21	DH Blair	6	-63.3	-54.7	-34.7	0	0	0
22	Montgomery Securities	4	-36.3	-26.9	-18.6	0	0	25
23	McKinley Alsup	4	-57.9	-52.2	-46.5	0	0	0
24	Rauscher Pierce	4	-52.7	-39.9	-35.6	0	0	0

*Division of Shearson Lehman.

The best performers of 1987's first nine months

Below, the 20 best-performing new issues of 1987, and Nov. 5. We have not counted issues that raised less than \$5 million.

Company/business	Offer price*	Recent price	Offer value (mil)	Offer date	actual	% gain —relative to—		Underwriters
						S&P 500	Nasdaq	
Criticare Systems/medical	\$5.25	\$10.00	\$ 7.4	5/22/87	90.5%	111.2%	137.9%	Steinberg & Lyman
Cottage Svcs Assoc/S&L	10.00	15.00	8.6	1/13/87	50.0	53.2	101.4	Self underwriting
Cash Amer Investmts/pawn shops	10.00	14.75	14.6	1/29/87	47.5	58.9	72.3	Eppler Guerin & Turner
British Airways Plc/airline	16.00	23.50	99.6	2/11/87	46.9	60.2	171.8	Salomon Brothers
Angio-Medical/pharmaceuticals	6.00	8.75	10.0	4/29/87	45.8	63.1	220.1	Keane Securities
Topps/gum products	13.00	18.38	22.1	5/21/87	41.3	55.6	90.3	Goldman, Sachs
Fastenal/fasteners	9.00	12.63	9.0	8/20/87	40.3	84.6	129.4	Robert Baird
Calgon Carbon/carbon	22.00	30.25	77.0	6/2/87	37.5	55.9	146.4	Shearson Lehman Brothers
Reisterstown Federal/S&L	9.09	12.50	6.3	2/17/87	37.5	54.3	111.6	Self underwriting
Home Office Ref Lab/lab testing	18.00	24.25	72.0	7/22/87	34.7	63.3	146.8	Smith Barney Harris Upham
Amre/home improvement	8.00	10.50	20.8	2/26/87	31.3	46.1	224.2	EF Hutton
Bethel Bancorp/S&L	10.00	12.75	5.3	8/13/87	27.5	67.8	93.8	Self underwriting
Southstate Bank/S&L	11.00	14.00	25.3	4/22/87	27.3	43.7	79.2	Self underwriting
MMR Holding/contracting svcs	13.50	17.00	14.9	3/19/87	25.9	45.5	110.9	William Blair & Co
Networked Pictures/graphics swtware	2.00	2.50	7.0	4/29/87	25.0	39.8	90.5	Beuret & Co
Deerfield Fed S&L/S&L	12.50	15.50	14.4	4/1/87	24.0	42.5	104.9	Self underwriting
Boys Markets/supermarkets	10.25	12.63	14.4	5/15/87	23.2	39.2	128.7	Merrill Lynch
Specialty Equip/food service eq	12.00	14.75	31.0	7/2/87	22.9	47.5	95.8	First Boston
Michael Foods/food products	16.00	19.50	32.0	5/1/87	21.9	37.9	108.5	William Blair & Co
Homestead Svcs Assoc/S&L	8.00	9.63	9.2	1/21/87	20.3	26.6	41.8	Self underwriting

The worst performers of 1987's first nine months

Company/business	Offer price*	Recent price	Offer value (mil)	Offer date	actual	% gain —relative to—		Underwriters
						S&P 500	Nasdaq	
De Laurentiis Film [†] /movies	\$16.25	\$2.13	\$26.8	2/27/87	-86.9%	-85.4%	-66.9%	PaineWebber
Fisher Transport/freight	6.00	1.00	6.6	4/15/87	-83.3	-81.3	-60.1	Laidlaw Adams & Peck
Rise Technology/computer publish	6.00	1.13	6.6	3/31/87	-81.3	-78.6	-39.6	McKinley Allsopp
Spectramed/medical products	11.00	2.38	40.0	6/19/87	-78.4	-73.9	-20.8	Alex Brown & Sons
Kingston Systems/polyethylene	8.00	1.75	8.8	4/7/87	-78.1	-74.5	-37.6	Woolcott & Co
National Imaging/med scanning	5.50	1.25	5.7	5/20/87	-77.3	-75.2	-3.7	First United Securities
Intl 800 Telecom/telecom	2.50	0.63	5.0	8/4/87	-75.0	-68.9	-27.0	LC Wiegand
Presto Tek/beverage machine design	5.50	1.50	5.5	1/28/87	-72.7	-70.5	-56.3	McKinley Allsopp
Xeta/telephone acct systems	7.00	2.00	5.6	6/17/87	-71.4	-65.7	-27.3	Eppler Guerin & Turner
Cleopatra Kohlique/cosmetics	2.50	0.75	7.0	2/11/87	-70.0	-67.3	-37.4	DH Blair & Co
Country Wide Transport/freight	15.00	4.50	33.0	3/27/87	-70.0	-65.1	-30.8	Robinson-Humphrey
LJ Simone/shoe manufacturer	8.75	2.75	6.3	6/3/87	-68.6	-63.8	31.1	Tucker Anthony & RL Day
Antonovich Cl A/fur apparel	9.63	3.13	7.2	3/31/87	-67.5	-62.7	-0.7	Evans & Co
Showscan Film/entertainment	10.00	3.25	12.0	6/25/87	-67.5	-60.6	-1.8	Whale Securities
Sigmatron Nova/panel displays	0.19	0.06	6.2	9/22/87	-66.8	-58.3	-11.7	Stuart James
Continental Homes/home bldg	11.50	4.00	13.8	2/19/87	-65.2	-60.9	-30.5	Drexel Burnham Lambert
Goldtex/fabric printing	10.00	3.50	9.4	9/4/87	-65.0	-56.5	12.9	Prescott Ball & Turben
Alpharel/document imaging sys	11.00	4.00	22.0	6/4/87	-63.6	-57.8	-5.5	Merrill Lynch
Ceramics Process/ceramic products	12.00	4.50	18.0	7/15/87	-62.5	-54.3	1.9	Kidder, Peabody
Charter Power/industrial batteries	11.00	4.25	22.0	2/6/87	-61.4	-57.5	-22.0	Merrill Lynch

*Per common share, adjusted for splits. †Public shares of master limited partnership.

Sources: *Forbes*, Institute for Econometric Research, IDD Information Services, Wilsch Associates, Trident Securities, Interactive Data Corp.



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ments, we figure they should do better than the broad-based market index to be worth your money. But through Nov. 5, only 141 of the 491 new issues we follow outperformed the S&P from the time each went public. In this market that's not saying much—the S&P itself is sharply lower. The more important, and unpleasant, fact is that only 73 of these stocks were up over their own offering prices.

The worst-performing new issue (see table, p. 57) in the first nine months of 1987 came from DeLaurentiis Film Partners. Dino DeLaurentiis' movies developed a habit of bombing in theaters. Now his production company has nuked Wall Street. The issue was a master limited partnership, not common stock. But the impact on investors was the same. DeLaurentiis raised \$26.8 million on the offering in February. Its market value on Nov. 5

The worst-performing new issue: DeLaurentiis Film Partners. Dino's production company raised \$26.8 million on the offering in February. Its recent market value was near \$3.5 million.

was near \$3.5 million.

Among the top issues, savings and loans seem to have weathered the crash the best. Six (see table) were among the 20 top-performing new issues. Little surprise here. Offerings in savings and loans traditionally do better in our performance rankings.

Are these the big winners of the future? Not necessarily. When we ranked the top new issues of 1986 earlier this year (Mar. 9, 1987), Home Shopping Network was up over 1,000% from its offering price. It recently was trading at \$6, from a high of \$47 earlier this year.

Is there a way of lowering odds when buying new issues? We found that a handful of good, regional investment banking firms seem to bring out the best new stocks. Chicago's William Blair & Co., for example, is number one for the first nine months of 1987. It was number one a couple of years back when we rated the best performances since 1975. Even so, you have to watch your wallet. Blair was a dismal 36th out of 38 when we surveyed new issues for 1986.

What of the rest of 1987? Little chance there will be many more new issues this year. Trying to raise capital in depressed markets is bad for business. Which could be a welcome rest for the public. ■

The 400 Largest Private Companies in the U.S.

Running a private company has its advantages, such as never having to say you're sorry to security analysts. The drawbacks are less obvious, at first.

Private enterprise

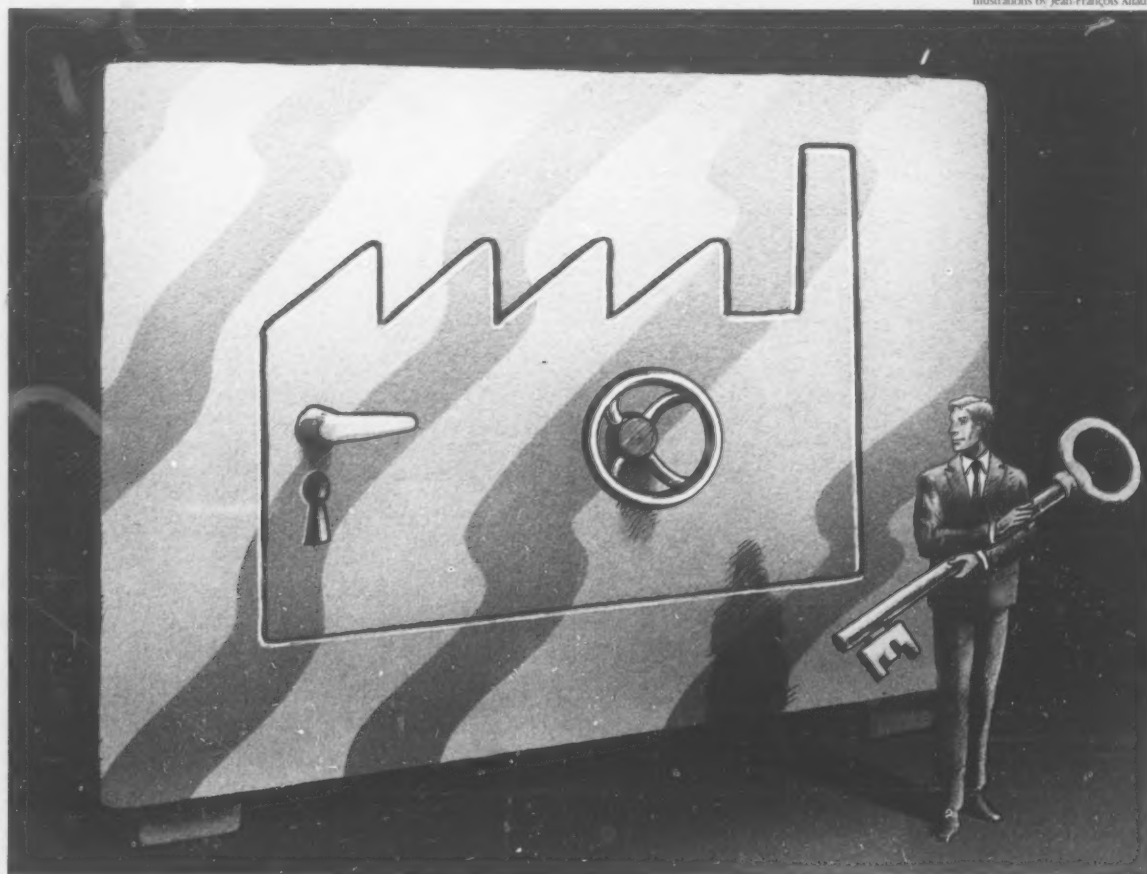
OCT. 19, Black Monday, was a rough day for people running public corporations. The crash made a lot of executive stock options almost worthless. It took the wind out of employee thrift plans tied to company stock. It made shares of stock into raider bait.

At times like these, a Forbes 500 executive may be

By Michael Ozanian and Tina Russo

envying the lot of someone like Frank Wheaton Jr., 74, who runs a \$500 million packaging firm in Millville, N.J. Wheaton Industries is privately owned, as it has been since Frank Wheaton's grandfather founded it in 1888. The firm, which says it is the leading private U.S. supplier of drug and cosmetic containers, is profitably self-reliant. It de-

Illustrations by Jean-François Allaux



signs the package and makes the glass and the machinery to decorate it—even the furnace to melt the glass.

This is what. Frank Wheaton has going for him. He doesn't have to explain himself to analysts or institutional holders. No takeover artist can threaten him. His competitors don't know his profit margin. He can build asset values without worrying about what it will do to next quarter's reported earnings. He need not apologize to anyone about nepotism (his cousin runs the scientific division) or about any mingling of corporate and family finances.

Wheaton could make himself a nice pile of cash in a public offering, but he has no intention of doing that. "I still have some sense left," he says, "and I already have a 118-foot yacht."

What is a private company? For *FORBES'* purposes here, it is any whose stock is not widely traded. Either the company has too few shareholders to file with the SEC, or it files, but the stock is not available to the general public. Graybar Electric (see story, p. 152) and Science Applications International are in the latter category. Mutuals, cooperatives, foreign-owned companies and companies 50% or more owned by public companies are excluded.

Plenty of large companies are privately owned—the list that follows includes 106 with \$1 billion or more in sales—and quite a few are headed that way in leveraged buyouts. What's so great about being private? Perhaps the most often cited justification is the increased flexibility it gives to managers. "Being private gives me the luxury of not having to worry about what shareholders may think and allows me to plan for the long term," says Thomas J. Gibson, chief financial officer of Gates Corp., a private firm in Denver (see story, p. 154).

But the world of private ownership is not all milk and honey. The most important disadvantage is the difficulty of raising equity capital. Well-known public companies going private can usually scare up equity from one of the LBO pools organized by investment bankers. And a Goldman, Sachs has the connections to get the capital it needs, abroad if necessary. But a company like Wheaton could not easily sell stock privately on attractive terms.

It is no surprise, then, that the largest private companies (not counting recent converts from the public arena) include few in capital-intensive industries. There are no airlines, one company that owns a railroad (Anschutz) and no electric utilities on this list. The private companies do, on the other hand, make a strong showing in businesses that are service-oriented or turn over their assets rapidly. They account for more than their share of food wholesalers and grocery chains, apparel importers, commodity traders and real estate managers.

The other problem, which often sets in a generation or two after a company's founding, is liquidity. How to buy out the cousins who don't want to join the business? "In a public company, someone [with] a small ownership [who]

Easy come, easy go

Stability is not a hallmark of private enterprise: From last year's top-400 list, 80 companies have been displaced. The largest to go was \$4 billion (sales) Swift Independent, which became a 50%-owned subsidiary of ConAgra. Three other large dropoffs: E-Z Serve was bought by Harken Oil & Gas, U.S. Plywood by Georgia-Pacific, and Denny's by TW Services.

Thirteen firms from 1986 went public. Among them: Allegheny Ludlum, Western Auto and Edgcomb. All would have done investors a favor by staying private.

Safeway Stores, Owens-Illinois, Supermarkets General, Borg-Warner, Lear Siegler, Revco and Burlington Industries are billion-dollar companies that were taken private in leveraged buyouts.—Steven Ramos

doesn't want to be part of the business can cash out. In a private company you don't have that ability, which can lead to a lot of fights and arguments," says Howard Weiser, a partner at Coopers & Lybrand. The company that owned the Louisville, Ky. papers sold out to Gannett to quell feuding among siblings. Koch Industries (ranked 4th below), the giant oil trading and refining company in Wichita, Kans., solved its family squabble by paying off the

dissident an estimated \$500 million for his 20% share in 1983. William Koch, 47, used part of the money to open his own energy production and trading firm in Dedham, Mass., Oxbow Corp. (ranked 75th). He's been buying into alternative energy and specialty coal operations.

The Bacardis, heirs to the lucrative rum empire, are having trouble maintaining their cohesion as the family reaches the fourth generation and the count of stockholders runs into the hundreds. This international operation is a loose confederation of seven or eight semiautonomous distilling and marketing concerns (Bacardi Imports, ranked 279th below, owns U.S. distribution rights). "A council group of about seven or eight principals that represent key families walk between all the companies," says Richard McGonigal, a lawyer representing dissident Bacardis in a securities case. The suit was filed after controlling insiders this year fired four family executives. But McGonigal says his clients just want a better understanding of what's going on inside the company—and reassurance that they're being treated fairly as owners.

Considering the frequency of such family feuds, it is no small accomplishment when a billion-dollar private firm makes the transition to professional managers, keeps grandchildren contented with dividends, yet retains enough cash to keep the enterprise as strong as it ever was. On those scores the Hearst Corp., 49th on the list and the subject of the cover story (see p. 141), is a striking example.

Sales figures in the tables that follow are for the most recent fiscal year, in many cases confirmed by the company. In other cases we relied on such sources as government filings, competitors, dissident shareholders and industry analysts.

Peter Kiewit Sons'

Dow Jones average? What's that?

The 900 lucky investors in the packaging and construction firm of Peter Kiewit Sons' fared well in the recent 508-point crash. The stock closed Friday, Oct. 16, at \$24.85. It also closed Oct. 19 at \$24.85. Right there is one good reason for a company to stay private, in the sense of strictly limiting ownership of shares: Employee shareholders are not forever watching the tape. "Our people haven't had to worry about what their stock value was or where we were going as a company," says Chairman Walter Scott Jr. Kiewit is not a bad stock to own. On sales of \$4.8 billion



Peter Kiewit Sons' Chairman Walter Scott Jr.
The stock the crash forgot.

David Benett

last year, earnings were \$190 million, or \$5.43 a share, up from \$3.03 five years ago. To buy it, however, you'll have to change jobs and move to Omaha. Stock is sold only to employees who meet the approval of management. "We sell stock to compensate the people who are helping us build the company," explains Scott. "It makes our people act more like owners than managers, and that's the way we want them to act."

Making workers think like owners is a laudable objective, oft recited by companies adopting employee stock ownership plans. But the mere existence of employee stock does not turn an otherwise sleepy outfit into a go-getter (see *Graybar*, below).

Kiewit landed in employees' hands under the guidance of Peter Kiewit, who died in 1979 after building his father's masonry business into a billion-dollar construction giant. Unlike Graybar, Kiewit leaves voting control with shareholders and further specifies that no one employee can own more than 10% of the voting stock. (Scott, in addition to 2.8 million voting shares, has 1.8 million nonvoting.) A further check on any tendency to inbred management is the fact that 3 of the 14 directors are from the outside.

Kiewit, at any rate, is anything but sleepy. When Continental Group, the packaging and insurance company, was threatened by a takeover in 1984, Kiewit stepped in as white knight. The company joined David Murdoch in the \$3.8 billion acquisition, later buying Murdoch out. The use of tax benefits and the sale of unwanted assets pushed the net cost of a solidly profitable packaging company down to \$1.05 billion, including debt assumed. The new operation's market value, says the company, is \$1.2 billion to \$1.5 billion. Since 1982 Kiewit stock, whose price is determined by a formula based on a modified book value, is up 142%.—John R. Hayes

Graybar Electric Staying aloof

Being private, goes the classic explanation, means not having to answer to pesky public shareholders, with their nearsighted focus on the next quarter. For managers at Graybar Electric, a St. Louis-based wholesale distributor of electrical and telephone gear, it goes a step further.

Being private means not having to answer to private shareholders, either. Graybar is an employee-owned company—one of the oldest of that breed—but the employees can't vote their stock.

Once a part of AT&T's Western Electric Co., Graybar was snipped off in a 1926 leveraged buyout led by Elisha Gray and Enos Barton. Last year sales topped \$1.6 billion, from more than 100,000 different products that were moved through 189 outlets. Profits? Nothing to brag about. Net last year came to \$14 million, or \$3.54 a share, off slightly from \$4.06 in 1985. Return on equity has averaged an unexciting 8.2% over the past five years.

Employee shareholders aren't in this for the capital gains. The price of Graybar stock is set by the company, and in the past five years, adjusted for two stock dividends, it has climbed from \$18.14 to \$20. The stock also pays a steady \$2 dividend.

If Graybar's results are disappointing, the company's 3,600 stockholders are powerless to question them. That's because the stock is locked up in a voting trust controlled by a self-perpetuating five-man board of senior officers. A hostile takeover is out of the question. Graybar has first refusal on all shares and has always exercised it.

The system seems to work, at least in the sense of commanding loyalty. Turnover is very low, according to an industry observer. (The company itself won't say; it doesn't talk to the press. President James Hoagland "prefers there be no conversation," says his assistant.) The five top managers have spent an average of 40 years with the company.

The weakness is that the insulation of the management from outsiders may have contributed to a certain stodginess. Entrepreneurial verve is more visible in some companies that have heavy employee ownership but enough outsider owners to keep them interested in growth—Herman Miller, for example, or Lowe's Cos.

It's not that insiders at Graybar are getting rich from the arrangement. President Hoagland has only \$236,000 worth of the stock and a salary of \$477,000. At Graybar, in short, privacy seems to be a mixed blessing.—John R. Hayes

St. Louis headquarters of Graybar Electric
No raider is going to threaten this outfit.



Scott Dine-Picture Group

Gates Corp.
Back to the knitting

An accusation often leveled at public companies is that, hell-bent on empire-building, they waste shareholders' money on aimless diversifications. Does this mean family-owned companies are better focused? Not necessarily, as the saga of Denver-based Gates Corp. demonstrates. This firm drifted from a profitable automotive rubber business into all manner of sidelines that it lived to regret.

The Gates family could at least point to the company's roots in justifying the urge to diversify: A strategic shift in its early days saved it from extinction. In 1911 Charles C. Gates, then 33, took over Colorado Tire & Leather Co. Its two main product lines: a steel-studded band of leather that was fastened to tires to extend their mileage, and

Bruce Harlan



Gates employee with rechargeable batteries
Getting more cautious with the diversifications.

horse halters. Both products were doomed.

Fortunately, Charles' brother John, an engineer and auto enthusiast, figured he could improve on the unreliable rope belts then common on auto radiator fans. In 1917 John Gates dipped twine in rubber, covered it with fabric and created the Gates rubber V-belt. By the late 1920s the renamed Gates Rubber Co. had a solid business in automobile belts and hoses. When Charles Gates died in 1961, he left behind a profitable tire and rubber-parts empire.

That same year Charles Gates Jr., now 66, took over as chief executive. The younger Gates took the company into guest and cattle ranches, egg farms, trucking, lawn sprinklers, land subdivisions, mutual fund management and a 65% stake in Learjet. "Diversification is like drilling for oil," says Gates Jr. "Sometimes you hit oil, sometimes dry holes, but you have to drill to hit." He seems to have hit a number of dry holes. All these diversifications, except the ranches, have either been sold or put on the block. The company quit the tire business in 1974.

Gates expanded cautiously after its earlier problems. Last year it reinforced its powerbelt line by purchasing Uniroyal's. After some success with a rechargeable tool and appliance battery developed with in-house research, it bought General Electric's nickel-cadmium rechargeable battery line this year. Batteries now account for a sixth of the \$1.1 billion Gates expects for 1987 sales. Says Thomas Gibson, executive vice president, "We are concentrating on doing better what we do best."—Maggie Kirk

Club Corp. of America
Cheap capital

If access to equity capital is the main reason for going public, Dallas-based Club Corp. of America is safely ensconced in private ownership for a while. This \$600 million (estimated 1987 sales) firm manages 225 for-profit clubs—country clubs, business-lunch clubs and athletic clubs. The business is certainly capital-intensive—a country club with golf course and tennis courts can cost \$10 million to build—but Club Corp. doesn't put up much of the capital. Customers supply free capital when they plunk down initiation fees of \$1,000 to \$35,000. And a lot of the country clubs are bargain purchases from nonprofit entities that have let them slip into financial trouble. Club Corp. manages, but does not own, a handful of them. Says Robert Dedman, 61, who started the company in 1957 as a sideline to his law practice (Dedman was an oil and gas attorney for billionaire H.L. Hunt): "We're a very cash-rich company."

The clubs vary in character from smaller city-based athletic clubs offering gym and dining facilities to the Firestone Country Club in Akron, which has two 18-hole golf courses. Club Corp. was quick to capitalize on the 1980s health craze, with new city clubs far outpacing new country clubs. The company now operates 125 athletic and dinner clubs in cities. The company also has a number of resorts, including North Carolina's famed Pinehurst, near Raleigh, as well as athletic clubs without dining facilities. All told, membership tops 400,000.

Even before it turns profitable, a Dedman club can be a cash machine. The fees are refunded, without interest, after 30 years. In economic terms, that means the fee is almost pure income (discounted at 10%, a dollar 30 years hence is worth only 6 cents now). But for tax purposes it's a loan, not income. Memberships are sold before the club even opens, and real estate developers frequently will kick in part of the startup costs because a Club Corp.-managed club is a valuable amenity in a new office building or near a suburban subdivision.

"You avoid all the costs associated with securities," says Dedman. "Stockholder reports, diligence meetings, working with the media. Private companies, quite frankly, can just run their business."—Peter Newcomb

Club Corp.'s Robert Dedman
Capital? Get the customers to supply it.

Alexander's Houston



The Largest Private Companies in the U.S.

Rank this year	Rank last year	Company/business	Sales (millions)	Employees	Chief executive	City, state
1	1	Cargill/commodity trading	\$32,400	46,000	Whitney MacMillan	Minneapolis, MN
2	■	●Safeway Stores/grocery stores	20,311e ¹	150,000	Peter A Magowan	Oakland, CA
3	3	Continental Grain/commodity trading & processing	13,500e	12,000	Michel Fribourg	New York, NY
4	2	Koch Inds/petroleum, natural gas, chemicals	13,000	7,000	Charles Koch	Wichita, KS
5	5	Apex Oil/oil refining, transporting & trading	9,000e	10,000	Anthony Novelty	St Louis, MO
6	6	United Parcel Service/package delivery	8,620	170,000	John W Rogers	Greenwich, CT
7	7	Mars/candy	7,700e	22,000	Forrest E Mars Jr	McLean, VA
8	8	Bechtel Group/engineering, construction	6,572	28,000	Stephen D Bechtel Jr	San Francisco, CA
9	■	●Supermarkets General/grocery stores, home improv cntrs	5,508	19,000	Kenneth Peskin	Carteret, NJ
10	10	●RH Macy/department stores	5,210	56,000	Edward S Finkelstein	New York, NY
11	9	Peter Kiewit Sons/packaging, construction, coal mining	4,661	33,000	Walter Scott Jr	Omaha, NE
12	4	●BCI Holdings ² /food processing	4,473	45,000	Frederick B Rentschler	Chicago, IL
13	13	Goldman, Sachs & Co/investment banking, securities brokerage	4,200e	7,165	John L Weinberg	New York, NY
14	14	●ARA Services/food, transportation & health svcs	4,000e	120,000	Joseph Neubauer	Philadelphia, PA
15	23	Drexel Burnham Lambert/invest banking, securities brokerage	4,000	10,600	Frederick H Joseph	New York, NY

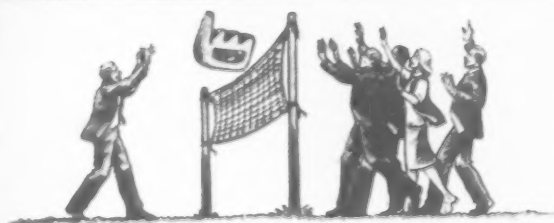


Science Applications, a secretive defense contractor, has increased earnings per share at a 22% annual rate since 1978. But you can't buy stock unless you work there.

16	15	Publix Super Markets/grocery stores	3,797	24,000	George W Jenkins	Lakeland, FL
17	■	●Owens-Illinois/packaging & containers	3,642	40,000	Robert J Lanigan	Toledo, OH
18	17	Carlson Cos/multicompany	3,500	50,000	Curtis L Carlson	Minneapolis, MN
19	■	●Borg-Warner/multicompany	3,379	86,400	James F Bere	Chicago, IL
20	■	●Burlington Industries/textiles	3,279	40,000	Frank S Greenberg	Greensboro, NC
21	22	●American Financial/financial holding	3,143 ³	5,300	Carl H Lindner	Cincinnati, OH
22	16	●Malone & Hyde/food wholesaling, specialty retailing	2,900	8,479	IR Hyde III	Memphis, TN
23	19	●Marmon Group/multicompany	2,878	26,910	Robert A Pritzker	Chicago, IL
24	20	●Levi Strauss/apparel	2,750	32,000	Robert D Haas	San Francisco, CA
25	21	●Jack Eckerd/drugstores	2,566	30,000	Stewart Turley	Clearwater, FL
26	■	Astroline/oil trading	2,500e	100	Fred Boling	Reading, MA
27	■	●Lear Siegler/vehicle components, industrial equip	2,464	29,000	Richard W Wieser	Livingston, NJ
28	171	●MacAndrews & Forbes Holdings/tobacco, cosmetics, film process	2,440 ⁴	28,000	Ronald O Perelman	New York, NY
29	24	Milliken & Co/textiles	2,400e	20,000	Roger Milliken	Spartanburg, SC
30	30	H Group Holdings/multicompany	2,300	30,000	Jay Pritzker	Chicago, IL
31	■	●Revco/drugstores	2,300	15,000	Boake Sells	Twinsburg, OH
32	27	Advance Publications/cable TV, publishing	2,200	19,000	SI Newhouse Jr	Staten Island, NY
33	25	Lincoln Property/real estate devel & management	2,114	5,000	A Mack Pogue	Dallas, TX
34	18	George E Warren/oil trading	2,045	35	Thomas L Corr	Boston, MA
35	26	●Pace Industries/multicompany	2,030	19,300	James W Wilcock	New York, NY
36	32	HE Butt Grocery/grocery stores	2,000	23,000	Charles C Butt	San Antonio, TX
37	59	Gateway Foods/food wholesaling	2,000	3,000	DB Reinhart	LaCrosse, WI
38	35	Hallmark Cards/greeting card publishing	2,000e	19,000	Irvine O Hockaday Jr	Kansas City, MO
39	31	SC Johnson & Son/specialty chemicals	2,000e	11,000	Samuel C Johnson	Racine, WI
40	■	Knoll Intl Holdings ⁵ /auto parts, home furnishing, textiles	2,000	25,000	Marshall S Cogan	New York, NY

■ Not on last year's list ● Went private via leveraged buyout since 1980 e Estimate ¹ Does not include 1987 divestitures ² Beatrice ³ Does not include 80% interest in United Brands ⁴ Includes Revlon Group, acquired May 1987 ⁵ Listed as General Felt Industries last year, ranked 29

Rank this year	Rank last year	Company/business	Sales (millions)	Employees	Chief executive	City, state
41	77	Lefrak Organization/real estate devel & mngmt	\$2,000	18,000	Samuel J LeFrak	Rego Park, NY
42	69	Meijer/department & grocery stores	2,000e	19,000	Fred Meijer	Grand Rapids, MI
43	39	Arthur Andersen & Co/accounting & consulting	1,924	36,117	Duane R Kullberg	Chicago, IL
44	73	Cumberland Farms/convenience stores, petroleum distributing	1,900	10,000	Demetrios B Haseotes	Canton, MA
45	33	•Rapid-American/retailing	1,894	40,100	Meshulam Riklis	New York, NY
46	75	Finevest Services/food processing, insurance, health care svcs	1,800	12,000	William Berkley	Greenwich, CT
47	37	•Dominick's Finer Foods/grocery stores	1,750e	3,500	James DiMatteo	Northlake, IL
48	141	Price Waterhouse/accounting & consulting	1,750	31,000	Joseph E Connor	New York, NY
49	43	Hearst Corp/publishing, broadcasting	1,700	12,000	Frank A Bennack Jr	New York, NY
50	76	Helmsley-Spear/real estate devel & mngmt	1,700e	13,000	Harry B Helmsley	New York, NY
51	50	Coopers & Lybrand/accounting & consulting	1,695e	47,367	Peter R Scanlon	New York, NY
52	40	Belk Brothers/department stores	1,680e	23,000	John Belk	Charlotte, NC
53	44	Services Group of America ¹ /food wholesaling	1,650e	5,500	Thomas J Stewart	Seattle, WA
54	38	Graybar Electric/electrical equip wholesaling	1,625	4,500	James L Hoagland	St Louis, MO
55	46	•Cox Enterprises/publishing, broadcasting, cable TV	1,569	20,000	Garner Anthony	Atlanta, GA
56	55	McLane/food distributing	1,567	2,731	Drayton McLane Jr	Temple, TX
57	49	Steelcase/office furniture & systems	1,506	16,000	Robert C Pew	Grand Rapids, MI
58	64	Ernst & Whinney/accounting & consulting	1,500	28,800	Ray J Groves	Cleveland, OH
59	28	Farley Industries/multicompany	1,500	22,000	William Farley	Chicago, IL
60	42	•First National Supermarkets/grocery stores	1,500	12,500	Richard J Bogomolny	Maple Heights, OH
61	■	JMB Realty/real estate syndication	1,500	5,000	Neil Bluhm	Chicago, IL
62	48	Readers Digest Association/publishing	1,500	8,000	George V Grune	Pleasantville, NY
63	■	SE Toyota Distributors/auto distributing	1,500	2,600	James Moran Sr	Deerfield Beach, FL
64	45	Stroh Brewery/brewing	1,500	5,000	Peter W Stroh	Detroit, MI
65	47	Giant Eagle/food distributing, grocery stores	1,450	12,000	David S Shapira	Pittsburgh, PA
66	83	Touche Ross & Co/accounting & consulting	1,450	29,000	Edward A Kangas	New York, NY
67	52	•National Gypsum/building materials	1,432	9,500	John P Hayes	Dallas, TX
68	61	Arthur Young/accounting & consulting	1,427	29,000	William L Gladstone	New York, NY
69	■	•Reliance Electric/industrial electric equip	1,409	17,000	John C Morley	Cleveland, OH
70	54	Hy-Vee Food Stores/grocery stores	1,400	8,000	Ron Pearson	Chariton, IA



Thirteen firms on last year's list have since gone public. Thirty-four new entrants this year were taken private in leveraged buyouts.

71	80	Union Holdings/natural gas, food processing	1,400	2,700	Anthony L Geller	Independence, KS
72	57	Estée Lauder/cosmetics	1,350e	10,000	Leonard Lauder	New York, NY
73	36	Peat Marwick Main & Co/accounting & consulting	1,350	18,500	Larry D Horner	New York, NY
74	■	•Leaseway Transportation/vehicle hauling	1,317	20,000	Gerald C McDonough	Beachwood, OH
75	■	Oxbow/oil trading	1,250	300	William Koch	Dedham, MA
76	34	Global Petroleum ² /petroleum wholesaling	1,243	160	Alfred A Slifka	Waltham, MA
77	67	Connell Rice & Sugar/food export & import, hvy equip leasing	1,200e	200	Grover Connell	Westfield, NJ
78	70	Deloitte Haskins & Sells/accounting & consulting	1,200	26,600	J Michael Cook	New York, NY
79	74	Dunavant Enterprises/intl & domestic cotton trading	1,200	1,000	William B Dunavant	Memphis, TN
80	58	Furrs/grocery stores	1,200	12,500	Jan Friederich	Lubbock, TX

■ Not on last year's list • Went private via leveraged buyout since 1980 e Estimate ¹Formerly Stevedoring Group of America ²Formerly First Petroleum

The Largest Private Companies in the U.S.

Rank this year	Rank last year	Company/business	Sales (millions)	Employees	Chief executive	City, state
81	65	•Weirton Steel/steel	\$1,173	8,266	Herbert Elish	Weirton, WV
82	■	National Amusements/movie theaters, broadcasting, cable TV	1,150 ¹	7,500	Sumner M Redstone	Dedham, MA
83	■	•Restaurant Enterprises Gp/restaurants	1,143	36,400	Norman N Habermann	Irvine, CA
84	41	•Dillingham Construction/construction, engineering	1,121	1,180	Donald K Stager	Pleasanton, CA
85	71	Anschutz/oil & gas, real estate, railroad	1,100	3,300	Philip F Anschutz	Denver, CO
86	■	•Hook-SupeRx/drugstores	1,100e	10,000	Philip E Beekman	Indianapolis, IN
87	60	JR Simplot/agribusiness, food processing	1,100e	9,500	A Dale Dunn	Boise, ID
88	78	Trammell Crow/real estate develop & mgmt	1,074	5,000	J McDonald	Dallas, TX
89	90	Scripps Howard/publishing	1,062	11,000	Lawrence A Leser	Cincinnati, OH
90	62	Gilbane Building/commercial construction	1,043	1,000	Paul J Choquette Jr	Providence, RI
91	68	Frank Consolidated Enterprises/auto dealerships, travel agency	1,029	1,452	Zollie S Frank	Des Plaines, IL
92	■	Frederick Weisman/auto importing, insurance	1,023	570	Frederick R Weisman	Glen Burnie, MD
93	97	Atlantic Petroleum ² /oil refining, convenience stores	1,000e	1,000	John Deuss	Philadelphia, PA
94	72	Chilewich Sons/commodity trading, cattle, meatpacking	1,000	850	Simon Chilewich	New York, NY
95	107	•Cole National/specialty retailing	1,000	13,100	Jeffrey A Cole	Lyndhurst, OH
96	98	Delaware North/multicompany	1,000	30,000	Jeremy M Jacobs	Buffalo, NY
97	113	E&J Gallo Winery/wine	1,000e	3,000	Ernest Gallo	Modesto, CA
98	118	Gulf States Toyota/auto importing	1,000	940	Jerry Pyle	Houston, TX
99	153	Hartz Mountain/pet food, real estate, publishing	1,000	5,000	Leonard Stern	Harrison, NJ
100	288	Hillman/multicompany	1,000	3,500	Henry Hillman	Pittsburgh, PA
101	■	Holiday Cos/gasoline retailing, convenience stores	1,000e	5,000	Ronald Erickson	Minneapolis, MN
102	88	Ingram Inds/csmr prods, software, texts, coal, water transport	1,000e	2,400	Bronson Ingram	Nashville, TN
103	82	Sweet Life Foods/food wholesaling	1,000e	2,000	Julian Leabitt	Suffield, CT
104	313	Taubman Co/real estate devel & mgmt	1,000e	450	A Alfred Taubman	Bloomfield Hills, MI
105	203	Taubman Investment/dept str, rest, invest, art auct hse	1,000	14,000	A Alfred Taubman	Bloomfield Hills, MI
106	104	Wyatt/petroleum wholesaling	1,000	90	Kirk F Blanchard	New Haven, CT
107	63	Sammons Enterprises/insurance, cable TV, industrial equip	994	6,400	James Keay	Dallas, TX
108	93	Perdue Farms/poultry processing	964	13,000	Franklin P Perdue	Salisbury, MD
109	115	Schnuck Markets/grocery stores	950	2,530	Donald O Schnuck	Bridgeton, MO
110	161	Mellon Stuart Holdings/commercial construction	949	1,450	David F Figgins	Pittsburgh, PA

United Parcel Service has sales of \$50,705 per employee. The U.S. Postal Service, \$38,368. UPS handled 12,941 parcels per employee. The Postal Service handled 187,846.



111	86	Tauber Oil/petroleum wholesaling	933	50	OJ Tauber Jr	Houston, TX
112	111	Gates/rubber prods, recharg batteries	923 ¹	15,000	Charles C Gates	Denver, CO
113	■	•Cain Chemical/chemicals, plastics	900e	1,450	William A McMinn	Houston, TX
114	101	Raley's/grocery stores	900	6,000	Thomas P Raley	Sacramento, CA
115	116	Simpson Timber/forest products	900e	5,500	William G Reed Jr	Seattle, WA
116	157	Triangle Publications/magazines, newspapers	900e	2,500	Walter H Annenberg	Radnor, PA
117	■	•LaSalle Energy/natural gas pipelines	880	1,900	Roy H Bettis Jr	Dallas, TX
118	92	DeMoulas Super Markets/grocery stores	880	6,700	TA DeMoulas	Tewksbury, MA
119	103	Wegmans Food Markets/grocery stores	880	4,000	Robert B Wegman	Rochester, NY
120	89	Hunt Corp/commercial construction	870	420	Robert C Hunt	Indianapolis, IN

■ Not on last year's list. • Went private via leveraged buyout since 1980. e Estimate. ¹Includes 85% interest in Viacom International. ²Listed as Atlantic Richfield & Marketing last year. ³Does not include Gates Learjet, sold Sept 1987.

The Largest Private Companies in the U.S.

Rank this year	Rank last year	Company/business	Sales (millions)	Employees	Chief executive	City, state
121	94	Potamkin/auto dealerships	\$856	3,000	Victor Potamkin	New York, NY
122	91	•First Brands/consumer products	855e	3,700	Alfred E Dudley	Danbury, CT
123	207	Grocers Supply Co/food wholesaling	850	1,100	Milton Levit	Houston, TX
124	162	Lykes Brothers/food processing, insurance	850	3,000	Charles P Lykes	Tampa, FL
125	79	Trump Organization/hotels & gaming, real estate devel	850	4,000	Donald J Trump	New York, NY
126	144	Dubuque Packing/meatpacking	843	750	Charles E Stoltz	Omaha, NE
127	120	A Johnson & Co/energy, industrial prods, electronics	841	1,588	John W Priesing	New York, NY
128	■	•Levitz Furniture/furniture retailing	836	6,200	Robert M Elliott	Boca Raton, FL
129	128	•Amsted Industries/RR equip, industrial equip, bldg mtrls	823	8,304	Robert H Wellington	Chicago, IL
130	121	Barton-Malow/commercial construction	822	500	Benjamin C Maibach Jr	Southfield, MI
131	109	•Parsons Corp/engineering, construction	821	7,000	William E Leonhard	Pasadena, CA
132	106	Amerco/U-Haul vehicle rental	820	12,000	Edward J Shoen	Phoenix, AZ
133	87	Avis/auto rental	813	10,000	Joseph V Vittoria	Garden City, NY
134	110	•Golden State Foods/food process & distributing for McDonald's	812	1,300	James E Williams	Pasadena, CA
135	■	•Tops Markets/grocery stores	812	2,200	Savino P Nanula	Buffalo, NY
136	112	McDevitt & Street/commercial construction	810	2,555	ER Street	Charlotte, NC
137	222	Fidelity Investments/fund management	804	5,400	Edward C Johnson III	Boston, MA
138	95	Schreiber Foods/food processing	801	3,300	Robert G Bush	Green Bay, WI
139	130	Gillett Group/meatpacking, broadcasting, resorts	800e	3,000	George N Gillett Jr	Nashville, TN
140	■	•GLI Holding/bus transportation	800e	11,000	Fred G Currey	Dallas, TX
141	■	Hunt Consolidated/petroleum & gas exploring & refining	800e	2,500	Ray L Hunt	Dallas, TX
142	100	McCarthy/commercial construction	800	1,500	Michael M McCarthy	St Louis, MO
143	102	•Red Owl Holdings/food wholesaling	800	2,574	C Patrick Schulke	Hopkins, MN
144	124	Thrifty Oil/oil refining & retailing, convenience stores	800e	1,400	Ted Orden	Downey, CA
145	127	Clark Construction Group/commercial construction	782	2,500	A James Clark	Bethesda, MD
146	302	Ferrell Cos/propane gas	778	2,738	James E Ferrell	Liberty, MO
147	123	Golub/grocery stores	775	9,000	Lewis Golub	Schenectady, NY
148	■	Rockefeller Group/real estate, telecom, entertainment	775e	3,700	Richard A Voell	New York, NY
149	132	Scoulas/grain storing & trading	775	438	Marshall E Faith	Omaha, NE
150	163	•Oppenheimer & Co/investment banking, securities brokerage	772	2,600	Stephen Robert	New York, NY

Eighty-six of these firms manufacture, market or trade food.

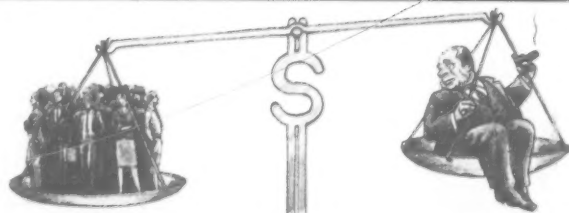


151	181	Andersen Corp/windows & sliding doors	750	3,600	W Arvid Wellman	Bayport, MN
152	■	•Channel Home Centers/home improvement centers	750	9,500	Leon Berger	Whippany, NJ
153	■	Connell Limited Partnership/metal recycling, industrial equip	750e	2,700	William F Connell	East Boston, MA
154	99	Esprit de Corp/apparel	750e	3,703	Doug Tompkins	San Francisco, CA
155	114	Horsehead Industries/industrial waste recycling	750	2,100	William E Flaherty	New York, NY
156	■	Pacific Holding/diversified holding company	750e	20,500	David H Murdock	Los Angeles, CA
157	137	Warren Equities/petroleum prods, convenience stores	742e	1,500	Warren Alpert	New York, NY
158	122	NES/precision instruments	742	1,380	Robert A Martin	Carpentersville, IL
159	■	•International Controls/truck trailers, aerospace	737	6,600	Arthur M Goldberg	Boca Raton, FL
160	131	Lennox International/climate-control equip	725e	6,500	John W Norris Jr	Dallas, TX

■ Not on last year's list • Went private via leveraged buyout since 1980 e Estimate

The Largest Private Companies in the U.S.

Rank this year	Rank last year	Company/business	Sales (millions)	Employees	Chief executive	City, state
161	182	Domino's Pizza/pizza restaurants	\$722	2,500	Thomas S Monaghan	Ann Arbor, MI
162	108	•First Texas Financial/savings & loan	713	2,400	J Livingston Kosberg	Dallas, TX
163	129	•Cone Mills/textiles	710	10,350	Dewey L Trogdon	Greensboro, NC
164	160	Holman Enterprises/auto dealerships	699	1,933	Joseph S Holman	Pennsauken, NJ
165	280	Hughes Markets/grocery stores	688	4,500	Fred B McLaren	Los Angeles, CA
166	167	Maritz/marketing & business svcs	684	3,600	William E Maritz	Fenton, MO
167	148	Eighty Four Lumber/building materials	684	3,000	Joseph A Hardy Sr	Eighty Four, PA
168	151	Crowley Maritime/maritime transportation	680	4,000	Leo Collar	San Francisco, CA
169	140	Worldwide Volkswagen/auto distributing	678	400	V Elmalch/F Stanton	Orangeburg, NY
170	178	•Guardian Industries/flat glass	675	6,680	William Davidson	Northville, MI
171	117	Transammonia/trading fertilizer & petroleum prods	668	166	Ronald P Stanton	New York, NY
172	135	•PIE* Nationwide/trucking	656	10,000	Charles F Rodgers	Jacksonville, FL
173	53	•Amstar/multicompany	651	5,000	Howard B Wentz Jr	Stamford, CT
174	■	•Mayflower/moving svcs	650	2,200	John B Smith	Carmel, IN
175	206	Edward J DeBartolo/real estate development & management	650e	12,000	Edward J DeBartolo	Youngstown, OH



The combined sales of the 400 largest private companies are \$449 billion. Of the 400 largest public ones, \$2.55 trillion.

176	138	Rich Products/frozen foods, pro sports, broadcasting	650	5,400	Robert H Rich Jr	Buffalo, NY
177	158	•SCI Holdings/broadcasting, cable TV	649	4,300	Kenneth Bagwell	Miami, FL
178	194	Johnson & Higgins/insurance brokerage, benefit consulting	648	6,710	Robert V Fletcher Jr	New York, NY
179	■	Jordan Co/multicompany	645	8,000	John W Jordan II	New York, NY
180	169	Builder Marts of Am/building materials wholesaling	640	750	Clarence B Bauknight	Greenville, SC
181	139	Randall's Food Markets/grocery stores	636	7,500	Robert R Onstead	Houston, TX
182	143	Drummond/coal	632	3,200	Garry N Drummond	Jasper, AL
183	184	Young & Rubicam/advertising	628	11,000	Alex Kroll	New York, NY
184	189	HCB Contractors/general contracting, construction management	626	1,200	Lawrence A Wilson	Dallas, TX
185	250	•Bath Iron Works/shipbuilding	622e	7,700	William E Haggett	Bath, ME
186	147	Ticor/tire insurance	620	7,000	Winston V Morrow	Los Angeles, CA
187	191	Cardinal Industries/modular housing	611	8,650	Austin Guirlinger	Columbus, OH
188	■	Playtex/personal care garments & products	610	8,000	Joel E Smilow	Stamford, CT
189	170	MagneTek/electronics	609	11,000	Frank Perna Jr	Los Angeles, CA
190	149	•Arcata/printing, forest products	600	6,000	Edward L Scarff	San Francisco, CA
191	150	Associated Metals & Minerals/metals trading	600e	210	Stefan E Eliel	White Plains, NY
192	177	Duchossois Enterprises/railroad equip	600e	6,000	Richard L Duchossois	Elmhurst, IL
193	202	Kohler/plumbing equip, engines, generators	600e	12,500	Herbert V Kohler Jr	Kohler, WI
194	292	•MediaNews Group ¹ /newspapers	600	14,000	W Dean Singleton	Dallas, TX
195	154	Metallurg/metals, alloys	600	3,800	Michael A Standen	New York, NY
196	210	Oklahoma Publishing/publishing, broadcasting, entertainment	600	5,000	Edward L Gaylord	Oklahoma City, OK
197	262	CL Peck/Jones Brothers Construct ² /commercial contracting	600e	550	Jerve M Jones	Los Angeles, CA
198	186	Science Applications Intl/research & development	600	7,000	Dr JR Beyster	San Diego, CA
199	238	Wilbur-Ellis/distributing farm supplies	600	900	CP Thacher	San Francisco, CA
200	■	•King Kullen Grocery/grocery stores	595	4,700	John B Cullen	Westbury, NY

■ Not on last year's list • Went private via leveraged buyout since 1980 e Estimate merged with Jones Brothers January 1987

¹Includes Denver Post and Houston Post, acquired in 1987. ²CL Peck

Rank this year	Rank last year	Company/business	Sales (millions)	Employees	Chief executive	City, state
201	159	•Warnaco/apparel	\$590	10,700	Linda J Wachner	New York, NY
202	168	United Van Lines/moving svcs	589	800	Robert J Baer	Fenton, MO
203	■	•Big V Supermarkets/grocery stores	588	1,450	David G Bronstein	Florida, NY
204	164	Piggly Wiggly Southern/grocery stores	588	5,760	James A Bolonda	Vidalia, GA
205	■	•Morse Shoe/shoe retailing	586	4,500	Manuel Rosenburg	Canton, MA
206	378	•Exide/batteries	584 ¹	5,000	Arthur Hawkins	Reading, PA
207	204	Battelle Memorial Institute/research & development	579	7,939	Dr Ronald S Paul	Columbus, OH
208	142	Alfred M Lewis/food distributing	573	1,050	Michael C Burandt	Riverside, CA
209	201	B Green & Co/food wholesaling, grocery stores	570	1,600	Bernard Green	Baltimore, MD
210	183	•Republic Health/hospitals	564 ^e	6,500	Bryan P Marsel	Dallas, TX
211	180	•Allied Van Lines ² /moving svcs	563	890	Dennis I Mudd	Broadview, IL
212	■	Thomson McKinnon/securities brokerage	560	5,311	John J Maloney Jr	New York, NY
213	179	Southwire/metal fabricating	553	3,558	James C Richards	Carrollton, GA
214	96	Amway/household & personal care products	550 ^e	7,000	Richard M DeVos	Ada, MI
215	205	Brookshire Grocery/grocery stores	550 ^e	6,600	Bruce G Brookshire	Tyler, TX
216	■	Sherborne Group/broadcast equip, magnetic tape	550	7,000	Edward J Bramson	New York, NY
217	■	•Penn Traffic/grocery stores	548	5,500	Guido Malacarne	Johnstown, PA
218	145	Rock Island Refining/petroleum refining	545	1,500	William E Huff	Indianapolis, IN
219	192	Irvine Co/real estate development	540	1,000	Donald Bren	Newport Beach, CA
220	■	•Ponderosa/steak house restaurants	535	26,000	Frank J Holdraker	Dayton, OH
221	219	Brenlin Group/metal fabricating, steel	530 ^e	3,600	David L Brennan	Akron, OH
222	392	Bright Banc Savings Assoc/savings & loans	530	2,800	James B Reeder	Dallas, TX
223	■	JM Petroleum/petroleum transporting	530	220	James Musselman	Dallas, TX
224	209	North Pacific Lumber/wholesaling of forest prods	530	360	Leo T Gibbons	Portland, OR
225	315	Tang Industries/metal fabricating & distributing	530	4,000	Cyrus Tang	Elk Grove Village, IL
226	215	WWF Paper/stationery & writing paper	530	650	Edward V Furlong Jr	Bala Cynwyd, PA
227	213	Schwan's Sales Enterprise/frozen foods	525 ^e	5,000	Marvin Schwan	Marshall, MN
228	66	•Avondale Industries/shipbuilding	516	6,400	Albert L Bossier Jr	New Orleans, LA
229	235	Roseburg Forest Products/forest products	510 ^e	4,400	John Stephens	Roseburg, OR
230	84	Vantage Cos/commercial construction	510	1,500	John Eulich	Dallas, TX



Four of the companies on this list are headed by women: Copley Newspapers, Jockey International, Joyce International and Warnaco.

231	174	•Harte-Hanks Communications/publishing, newspapers, TV	507	7,500	Bob Marbut	San Antonio, TX
232	196	Snyder General/climate control equip	504	4,800	Richard W Snyder	Dallas, TX
233	211	•Pamida/discount department stores	504	4,500	C Clayton Burkstrand	Omaha, NE
234	■	•Joy Technologies ³ /mining & industrial equip	501	4,200	Roy Wennerholm Jr	Pittsburgh, PA
235	316	Aarque Cos/metal fabricating	500 ^e	3,100	R Quintus Anderson	Jamestown, NY
236	228	Bartlett & Co ⁴ /grain, flour, cattle feed	500	550	Paul D Bartlett Jr	Kansas City, MO
237	271	Greenwood Mills/textiles	500 ^e	7,800	JC Self Jr	Greenwood, SC
238	208	•Hyster/forklift trucks, mtrls handling equip	500	5,000	William H Kilkenny	Portland, OR
239	■	•Motor Wheel/auto parts	500 ^e	3,500	Joseph C Overbeck	Lansing, MI
240	257	Parsons & Whittemore/pulp & paper, ind machinery	500	2,500	Carl C Landegger	New York, NY

■ Not on last year's list. • Went private via leveraged buyout since 1980. ^e Estimate. ¹ Includes General Battery, acquired May 1987. ² Agreed to be acquired by National Freight, a U.K. holding company. ³ Formerly Joy Manufacturing. ⁴ Listed as Bartlett Agri Enterprises last year.

The Largest Private Companies in the U.S.

Rank this year	Rank last year	Company/business	Sales (millions)	Employees	Chief executive	City, state
241	242	●Schottenstein Stores/department & furniture stores	\$500	7,000	Jerome Schottenstein	Columbus, OH
242	237	Walbridge, Aldinger/general contractors & construc mgmt	500	750	John Rakolta Jr	Livonia, MI
243	243	Wheaton Inds/packaging	500e	10,000	Frank H Wheaton Jr	Millville, NJ
244	227	Young's Market/food & liquor wholesaling	497	1,200	Vernon Underwood Sr	Los Angeles, CA
245	187	Paragon Group/real estate devel & management	493	1,300	WR Cooper	Dallas, TX
246	165	The Andersons/agribusiness, consumer prods	491	1,500	Richard P Anderson	Maumee, OH
247	223	●Marley/climate-control equip	490	5,400	Robert J Dineen	Shawnee Mission, KS
248	249	Austin Industries/commercial construction	485	6,500	William T Solomon	Dallas, TX
249	■	Crown American/department stores, real estate mgmt	482	7,000	Frank J Pasquerilla	Johnstown, PA
250	■	●El Paso Products/plastics & petrochemicals	480	1,200	OR Clements	Odessa, TX
251	269	Alberici/commercial & industrial construction	480	1,500	Raymond F Pieper	St Louis, MO
252	220	GSC Enterprises/food wholesaling	480	1,100	Michael K McKenzie	Sulphur Springs, TX
253	193	HB Zachry/commercial construction	480	6,100	H Bartel Zachry	San Antonio, TX
254	218	●Kane-Miller/meatpacking	478	1,100	Stanley B Kane	Tarrytown, NY
255	176	●Coca-Cola Bottling Co NY/soft drink bottling	475e	2,000	James Maloney	Greenwich, CT



Sixty-nine of these companies, with combined revenues of \$168 billion, are controlled by members of The Forbes Four Hundred, the richest people in America.

256	258	Penske/auto dealerships, racing, parts	472e ¹	5,000	Roger S Penske ²	Reading, PA
257	212	Phelps/commercial construction & mfg	471	3,095	Robert C Tointon	Greeley, CO
258	■	●American Bakeries/bakery goods	471	7,500	E Garrett Bewkes Jr	New York, NY
259	232	Merchants Distributors/food wholesaling	470e	985	Boyd George	Hickory, NC
260	236	UIS/auto parts	470	5,100	Harry Lebensfeld	New York, NY
261	■	Ruffin/petroleum brokerage, convenience stores	469	800	Phil G Ruffin	Wichita, KS
262	199	JM Huber/energy, rubber, natural resources	465	3,000	Michael W Huber	Edison, NJ
263	■	●Ceco/building materials	461	5,900	Erwin E Schultze	Oak Brook, IL
264	216	Inland Real Estate/real estate devel & mgmt	455	1,500	Daniel L Goodwin	Oak Brook, IL
265	■	Coca-Cola Bottling Chicago/soft drink bottling	450e	1,800	Marvin Herb	Chicago, IL
266	■	Continental Cos/hotel management	450e	12,400	Sherwood M Weiser	Minneapolis, MN
267	185	Koll/real estate development, general contracting	450	760	Donald Koll	Newport News, VA
268	291	McKinsey & Co/consulting	450	3,000	D Ronald Daniel	New York, NY
269	234	●Pride Refining/oil refining & transporting	450	647	Jimmy R Morris	Abilene, TX
270	248	Rosenthal Cos/auto dealerships	450	1,200	Robert M Rosenthal	Arlington, VA
271	284	Moyer Packing/meatpacking & processing	442	1,200	Curtis F Moyer	Souderton, PA
272	270	C&S Wholesale Grocery/food wholesaling	440	500	Lester Cohen	Brattleboro, VT
273	230	Chemcentral/chemical distributing	435	750	Richard T Hough	Chicago, IL
274	290	Hendrick Management ³ /auto dealerships	434	1,080	JR Hendrick III	Charlotte, NC
275	197	Racetrac Petroleum/convenience stores, gasoline retailing	433	1,750	Carl Bolch Jr	Atlanta, GA
276	281	MA Mortenson/commercial construction	433	700	MA Mortenson Jr	Minneapolis, MN
277	241	CR Anthony/department stores	430	7,500	John J Weisner	Oklahoma City, OK
278	225	Schwegmann Giant Super Mkts/grocery stores	430	4,000	John F Schwegmann	New Orleans, LA
279	■	Bacardi Imports/distilled spirits & wine importing	425	250	Luis J Echarte	Miami, FL
280	214	Fresh Mark ³ /meatpacking	425	1,600	Neil Genshaft	Massillon, OH

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The Largest Private Companies in the U.S.

Rank this year	Rank last year	Company/business	Sales (millions)	Employees	Chief executive	City, state
281	256	Minyard Food Stores/grocery stores	\$425e	3,000	MT Minyard	Coppell, TX
282	■	●National Beverage/soft drink wholesaling	425	1,000	Nick A Caporella	Fort Lauderdale, FL
283	323	RB Pamplin/textiles, concrete, asphalt	425	6,600	RB Pamplin	Portland, OR
284	■	●Revere Copper & Brass/metal fabricating, copper & brass prods	423	3,100	Louis Bradbury	Clinton, IL
285	246	AJ Bayless Markets/grocery stores	420e	2,500	Bruce Krysiak	Phoenix, AZ
286	■	●Seligman & Latz/jewelry, cosmetics	420	12,000	David B Cornstein	New York, NY
287	267	McWane/pipe mfg, water treatment	415e	3,675	JR McWane	Birmingham, AL
288	■	Southwestern General/building materials, industrial prods	414	2,700	Michael R Krupp	Golden, CO
289	369	Worldmark/bldg materials, intermediate aluminum prods	410	1,200	Dean Rhoads	N Palm Beach, FL
290	■	●Diamandis Communications/magazine publishing	407	1,300	Peter G Diamandis	New York, NY
291	263	Central Newspapers/newspapers	407	4,250	Frank E Russell	Indianapolis, IN
292	■	Gitano/Orit Imports & Affiliates/apparel importing & marketing	405	450	Morris Dabah	New York, NY
293	■	●Meadowdale Foods/grocery stores, food wholesaling	405	2,020	David K Page	Detroit, MI
294	221	Westfield Cos/insurance	402	1,500	Dale W Smucker	Westfield Center, OH
295	264	Asplundh Tree Expert/tree trimming for elec utilities	400e	11,300	Edward K Asplundh	Willow Grove, PA
296	317	Booz, Allen & Hamilton/managerial & tech consulting	400e	2,900	R Michael McCullough	New York, NY
297	265	Club Corp of America/private athletic clubs & resorts	400	15,000	Robert Dedman	Dallas, TX
298	351	Day & Zimmermann/engineering, consulting, business svcs	400	11,000	Harold L Yoh Jr	Philadelphia, PA
299	■	WL Gore & Associates/Gore-Tex fabrics, electronics, indus prods	400e	4,500	Robert W Gore	Newark, DE
300	254	●McLouth Steel Products/steel	400e	2,200	David Clark	Trenton, MI
301	■	Pony Industries/specialty chems, building mtl's	400	2,000	William E Flaherty	New York, NY
302	275	QuikTrip/convenience stores	400	1,500	Chester Cadieux	Tulsa, OK
303	295	Roger Williams Foods/food wholesaling & distributing	400	500	Scott B Laurans	Providence, RI
304	155	Steuart Investment/petroleum storage & marketing	400	800	Curtis S Steuart	Washington, DC
305	■	●Research-Cottrell/engineering, environmental svcs	396	2,150	Benjamin Rawls	Somerville, NJ
306	244	●Palm Beach/apparel	394	5,700	Alfred P Fuoco	Cincinnati, OH
307	300	Encyclopaedia Britannica/publishing	391	1,100	Robert P Gwinn	Chicago, IL
308	200	AG Spanos Construction/real estate devel & mgmt	390	875	Alex G Spanos	Stockton, CA
309	260	World Carpets/carpets	390	3,400	Shaheen Shaheen	Dalton, GA
310	268	Almac's/grocery stores	386	974	AW Pike	East Providence, RI

The 8 accounting firms on this list have combined revenues of \$12.2 billion.



311	279	American Seaway Foods/food wholesaling	385	700	Ralph A Garson	Bedford Heights, OH
312	304	Walton Monroe/textiles	385	4,800	G Stephen Felker	Monroe, GA
313	278	Fred W Albrecht Grocery/grocery drugstores & gnr'l merchandise	384	3,200	F Steven Albrecht	Akron, OH
314	334	Investors Management/restaurants	381	18,000	James H Maynard	Raleigh, NC
315	314	Towers, Perrin, Forster & Crosby/consulting, reinsurance	380	4,000	Quentin I Smith Jr	New York, NY
316	274	Sprague Resources/residential & commercial construction	380	3,000	Robert M Helsell	Seattle, WA
317	340	Brown Brothers Harriman/banking, securities brokerage	375e	1,350	Terrence M Farley	New York, NY
318	■	DHL Airways/air express service	375	5,000	Charles A Lynch	Redwood City, CA
319	319	Freedom Newspapers/publishing, broadcasting	375e	5,200	DR Segal	Irvine, CA
320	252	●Friona Inds LP/agribusiness, food processing	375	900	Dennis R Farley	Dallas, TX

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The Largest Private Companies in the U.S.

Rank this year	Rank last year	Company/business	Sales (millions)	Employees	Chief executive	City, state
321	289	●J&L Specialty Products/flat-rolled stainless steel	\$375e	1,200	Claude F Kronk	Pittsburgh, PA
322	255	●Microdot/fasteners, connectors, fluid seals	375	3,500	Richard P Strubel	Chicago, IL
323	345	LL Bean/outdoor sporting goods retailing & mfg	368	2,300	Leon A Gorman	Freeport, ME
324	336	ER Carpenter/plastic foams	367	6,200	Stanley F Pauley	Richmond, VA
325	373	Continental Cablevision/cable broadcasting	365	3,300	Amos B Hostetter Jr	Boston, MA
326	354	Gordon Food Service/wholesale food distributing	365	950	Paul Gordon	Grand Rapids, MI
327	286	Granite Construction/commercial construction	365	2,500	Richard C Solari	Watsonville, CA
328	266	Home Interiors & Gifts/wholesale decorative accessories	365	1,400	Donald J Carter	Dallas, TX
329	134	Stephens/investment banking, securities brokerage	365e	315	Warren A Stephens	Little Rock, AR
330	226	Swinerton & Walberg/general contracting	365	1,500	Milo S Gates	San Francisco, CA
331	305	Journal Communications/newspapers, broadcasting & printing	361	3,650	Thomas J McCollow	Milwaukee, WI
332	■	●Auto Shack/auto parts stores	360	3,900	Peter Formanek	Memphis, TN
333	355	Haworth/office furniture	360e	2,750	Richard Haworth	Holland, MI
334	272	Hyp Plains Dressed Beef/meatpacking	360	270	Jim Mitchell	Dodge City, KS
335	296	United Co ¹ /coal mining, oil & gas, hotels	360	1,200	James W McGlothlin	Bristol, VA



Four owners of the top 400 private companies own NFL teams: N. Braman (Eagles), "Bum" Bright (Cowboys), E. DeBartolo (Fortyniners) and A. Spanos (Chargers).

336	356	Roy M Huffington/oil & gas production	357	3,200	Roy M Huffington	Houston, TX
337	325	Rugby-Darby Group ² /health care products	355e	2,000	Michael Ashkin	Rockville Ctr, NY
338	372	Wawa/convenience stores	353	1,200	Richard D Wood Jr	Wawa, PA
339	328	Coulter Electronics/medical & electronic instruments	350e	4,800	Wallace H Coulter	Hialeah, FL
340	308	Hale-Halsell/food wholesaling	350	3,285	Bob Hawk	Tulsa, OK
341	287	●Health-tex/children's apparel	350	8,500	Robert A Breakstone	New York, NY
342	359	Insera Supermarkets/grocery stores	350	2,000	Lawrence R Insera	Mahwah, NJ
343	273	Ben E Keith/food & beverage distributing	350	1,350	Robert Hallam	Fort Worth, TX
344	363	●Lykes Brothers Steamship/ocean freight	350e	1,000	WJ Amoss Jr	New Orleans, LA
345	321	Marketing Corp of America/mktg svcs, venture capital	350	2,000	Jim R McManus	Westport, CT
346	324	Randall Stores/grocery stores	350	2,800	Ron Randall	Mitchell, SD
347	■	●Six Flags/amusement parks	350	1,600	Larry Cochran	Arlington, TX
348	366	Stowe-Pharr Mills/yarn manufacturing	350	4,200	JM Carstarphen	McAdenville, NC
349	298	Jervis B Webb/materials handling equip	350e	2,500	Jervis C Webb	Farmington Hills, MI
350	377	●Otasco/home improv, auto parts stores, appliances	346	2,950	Jerry L Goodman	Tulsa, OK
351	■	●Duckwall-Alco Stores/discount stores	344	4,700	Robert R Soelter	Abilene, KS
352	329	PMC/specialty chemicals, plastics, machinery	341	2,400	Philip Kamins	Sun Valley, CA
353	■	International Data Group/publishing, research for info svc ind	340e	2,800	Patrick J McGovern	Framingham, MA
354	322	Benjamin Moore & Co/paint, varnish & enamel	340e	1,500	Richard Roob	Montvale, NJ
355	371	HC Prange/department, discount & specialty stores	339	6,000	Henry C Prange	Sheboygan, WI
356	239	Flying J/integrated petroleum	339	1,300	Jay Call	Brigham City, UT
357	■	Sverdrup Corp/engineering & architectural svcs	337	4,000	Brice R Smith Jr	St Louis, MO
358	312	D'Arcy Masius Benton & Bowles/advertising, communications	336	6,200	John S Bowen	New York, NY
359	385	●Joyce International/office furniture & supplies	336	4,192	G Lynn Shostack	New York, NY
360	330	Ris Paper/distributing paper prods	335	552	Howard C Ris	Garden City, NY

■ Not on last year's list. ● Went private via leveraged buyout since 1980. e: Estimate. ¹Listed as United Coal last year. ²Listed as Rugby Labs last year.

The Largest Private Companies in the U.S.

Rank this year	Rank last year	Company/business	Sales (millions)	Employees	Chief executive	City, state
361	■	AMI Cos/auto dealerships	\$334	620	Eugene J Ribakoff	Worcester, MA
362	387	Humiston-Keeling/drug distributing	330	246	Burton H Olin	Chicago, IL
363	276	●ACF Industries/railroad equip mfg & leasing	328	1,548	Carl C Icahn	Earth City, MO
364	■	●Bekins/transportation & warehousing svcs	328	2,500	Thomas E Epley	Glendale, CA
365	326	Sundt/general contracting & construction management	327	1,686	H Wilson Sundt	Tucson, AZ
366	381	Automanage/auto dealerships	325	1,054	Michael L Dever	Cincinnati, OH
367	327	Bourns/electronics	325	6,000	Gordon L Bourns	Riverside, CA
368	■	●Esco/aluminum products	325	2,300	John F Henry	Girard, OH
369	318	Fareway Stores/grocery stores	325	880	FW Beckwith	Boone, IA
370	337	Krasdale Foods/food distributing	325	525	Charles A Krasne	Bronx, NY
371	303	3 Beall Brothers 3/department stores	325	2,500	Royce Beall	Jacksonville, TX
372	■	West Lumber/wholesaling & retailing of building mtl	325	2,900	Charles B West	Atlanta, GA
373	344	Copley Newspapers/newspapers	324e	3,420	Helen K Copley	La Jolla, CA
374	389	Morris Communications/newspapers, billboards	322	3,400	William S Morris III	Augusta, GA
375	332	Weil Brothers Cotton/cotton wholesaling	320e	100	Robert Weil	Montgomery, AL

Drexel Burnham Lambert, the largest privately owned brokerage firm, has over \$2 billion in equity capital.



376	■	Whiting-Turner Contracting/commercial construction	320	1,250	W Hackerman	Towson, MD
377	■	Baddour/discount department stores	318	1,860	Paul Baddour	Memphis, TN
378	339	Moorman Mfg/livestock & poultry feed	315e	4,000	RA Liebig	Quincy, IL
379	400	Menasha/packaging, printing, plastics	313	2,800	DC Shepard	Neenah, WI
380	294	Pantry/convenience stores	312	3,000	Truby G Proctor Jr	Sanford, NC
381	346	Dillard Paper/wholesaling of paper & plastics prods	310	1,400	GA Clark	Greensboro, NC
382	■	Alamo Rent-A-Car/car rental	310	2,750	Michael S Egan	Fort Lauderdale, FL
383	■	●Bumble Bee Seafoods/food processing	310	2,500	Patrick W Rose	San Diego, CA
384	■	Dick Corp/commercial construction	310	2,500	Dorsey Dick	Pittsburgh, PA
385	399	Bob Frink Management/auto dealerships	310	730	Robert Frink	Sacramento, CA
386	374	Haggar Apparel/apparel	310e	7,000	JM Haggar Jr	Dallas, TX
387	364	Philadelphia Hide Brokerage/grain trading	310e	100	Michael P Halpert	Philadelphia, PA
388	■	Refco Group Ltd/commodities and futures brokerage	310	750	Tone Grant	Chicago, IL
389	■	World Oil Co/petroleum refining & distributing	310	400	Bernard B Roth	South Gate, CA
390	333	Rinker Materials/building materials	308	2,300	Marshall E Rinker Sr	W Palm Beach, FL
391	■	Boddie-Noell Enterprises/Hardees restaurants	305	14,000	Ben Mayo Boddie	Rocky Mount, NC
392	352	Fiesta Mart/grocery stores	304	2,600	Donald L Bonham	Houston, TX
393	293	Northville Industries/petroleum wholesaling & retailing	304e	320	Harold Bernstein	Melville, NY
394	■	●Conair/health care products, appliances	303	1,135	LP Rizzuto	Stamford, CT
395	245	Country Cos/insurance	301	2,153	Duane L Miller	Bloomington, IL
396	348	American Cast Iron Pipe/steel pipe, valves	300	2,600	Paul W Green	Birmingham, AL
397	382	●Atlanta/food importing	300	200	George G Gellert	New York, NY
398	360	Jockey International/men's underwear	300	3,200	Donna W Steigerwaldt	Kenosha, WI
399	320	●Kusan/building materials, oilfield equip	300	2,000	Reynold Nebel	Brentwood, TN
400	375	●Spalding & Evenflo/sporting goods, baby products	300	2,600	Donald J Byrnes	Tampa, FL

■ Not on last year's list. ● Went private via leveraged buyout since 1980. e: Estimate.

The Largest Private Companies in the U.S.

This alphabetical listing shows the 400 largest private companies in the U.S. For those companies taken private since 1980, we give the year of the transaction. The sales ranking begins on page 156. The story begins on page 150.

Company	Rank	Company	Rank	Company	Rank
Aarque Cos	235	Barton-Malow	130	Conair/1985	394
ACF Industries/1984	363	Bath Iron Works/1986	185	Cone Mills/1984	163
Advance Publications	32	Battelle Memorial Institute	207	Connell Limited Partnership	153
Alamo Rent-A-Car	382	AJ Bayless Markets	285	Connell Rice & Sugar	77
Alberici	251	BCI Holdings/1986	12	Continental Cablevision	325
Fred W Albrecht Grocery	313	LL Bean	323	Continental Cos	266
Allied Van Lines/1981	211	Bechtel Group	8	Continental Grain	3
Almac's	310	Bekins/1987	364	Coopers & Lybrand	51
Amerco	132	Belk Brothers	52	Copley Newspapers	373
American Bakeries/1984	258	Big V Supermarkets/1987	203	Coulter Electronics	339
American Cast Iron Pipe	396	Boddie-Noell Enterprises	391	Country Cos	395
American Financial/1981	21	Booz, Allen & Hamilton	296	Cox Enterprises/1985	55
American Seaway Foods	311	Borg-Warner/1987	19	Crowley Maritime	168
AMI Cos	361	Bourns	367	Crown American	249
Amstar/1986	173	Brenlin Group	221	Cumberland Farms	44
Amsted Industries/1986	129	Bright Banc Savings Assoc	222	D'Arcy Masius Benton & Bowles	358
Amway	214	Brookshire Grocery	215	Day & Zimmermann	298
Andersen Corp	151	Brown Brothers Harriman	317	Edward J DeBartolo	175
Arthur Andersen & Co	43	Builder Marts of Am	180	Eastman North	96
The Andersons	246	Bumble Bee Seafoods/1985	383	Deloitte Haskins & Sells	78
Anschutz	85	Burlington Industries/1987	20	DeMoulas Super Markets	118
CR Anthony	277	HE Butt Grocery	36	DHL Airways	318
Apex Oil	5	C&S Wholesale Grocery	272	Diamandis Communications/1987	290
ARA Services/1984	14	Cain Chemical/1987	113	Dick Corp	384
Arcata/1982	190	Cardinal Industries	187	Dillard Paper	381
Asplundh Tree Expert	295	Cargill	1	Dillingham Construction/1983	84
Associated Metals & Minerals	191	Carlson Cos	18	Dominick's Finer Foods/1981	47
Astroline	26	ER Carpenter	324	Domino's Pizza	161
Atalanta/1981	397	Ceco/1986	263	Drexel Burnham Lambert	15
Atlantic Petroleum	93	Central Newspapers	291	Drummond	182
Austin Industries	248	Channel Home Centers/1986	152	Dubuque Packing	126
Auto Shack/1987	332	Chemcentral	273	Duchossois Enterprises	192
Automanage	366	Chilewich Sons	94	Duckwall-Alco Stores/1985	351
Avis	133	Clark Construction Group	145	Dunavant Enterprises	79
Avondale Industries/1985	228	Club Corp of America	297	Easco/1986	368
Bacardi Imports	279	Coca-Cola Bottling Chicago	265	Jack Eckerd/1986	25
Baddour	377	Coca-Cola Bottling Co of NY/1980	255	Eighty Four Lumber	167
Bartlett & Co	236	Cole National/1984	95	El Paso Products/1984	250

The Largest Private Companies in the U.S.

Company	Rank	Company	Rank	Company	Rank
Encyclopaedia Britannica	307	Hartz Mountain	99	Koll	267
Ernst & Whinney	58	Haworth	333	Krasdale Foods	370
Esprit de Corp	154	HCB Contractors	184	Kusan/1986	399
Estée Lauder	72	Health-tex/1985	341	LaSalle Energy/1987	117
Exide/1983	206	Hearst Corp	49	Lear Siegler/1987	27
Farway Stores	369	Helmsley-Spear	50	Leaseway Transportation/1987	74
Farley Industries	59	Hendrick Management	274	Lefrak Organization	41
Ferrell Cos	146	Hillman	100	Lennox International	160
Fidelity Investments	137	Holiday Cos	101	Levi Strauss/1985	24
Fiesta Mart	392	Holman Enterprises	164	Levitz Furniture/1985	128
Finevest Services	46	Home Interiors & Gifts	328	Alfred M Lewis	208
First Brands/1986	122	Hook-SuperRx/1986	86	Lincoln Property	33
First National Supermarkets/1985	60	Horsehead Industries/1981	155	Lykes Bros	124
First Texas Financial/1982	162	JM Huber	262	Lykes Brothers Steamship	344
Flying J	356	Roy M Huffington	336	MacAndrews & Forbes Holdings/1983	28
Frank Consolidated Enterprises	91	Hughes Markets	165	RH Macy/1986	10
Freedom Newspapers	319	Humiston-Keeling	362	MagneTek	189
Fresh Mark	280	Hunt Consolidated	141	Malone & Hyde/1984	22
Bob Frink Management	385	Hunt Corp	120	Maritz	166
Friona Inds LP/1985	320	Hy-Vee Food Stores	70	Marketing Corp of America	345
Furns	80	Hyplains Dressed Beef	334	Marley/1981	247
E&J Gallo Winery	97	Hyster/1984	238	Marmon Group/1986	23
Gates	112	Ingram Inds	102	Mars	7
Gateway Foods	37	Inland Real Estate	264	Mayflower/1987	174
Giant Eagle	65	Inserra Supermarkets	342	McCarthy	142
Gilbane Building	90	International Controls/1987	159	McDevitt & Street	136
Gillett Group	139	International Data Group	353	McKinsey & Co	268
Gitano/Orit Imports and Affils	292	Investors Management	314	McLane	56
GLI Holding/1987	140	Irvine Co	219	McLouth Steel Products/1982	300
Global Petroleum	76	J&L Specialty Products/1986	321	McWane	287
Golden State Foods/1980	134	JM Petroleum	223	Meadowdale Foods/1987	293
Goldman, Sachs	13	JMB Realty	61	MediaNews Group/1985	194
Golub	147	Jockey International	398	Meijer	42
Gordon Food Service	326	Johnson & Higgins	178	Mellon Stuart Holdings	110
WL Gore & Associates	299	A Johnson & Co	127	Menasha	379
Granite Construction	327	SC Johnson & Son	39	Merchants Distributors	259
Graybar Electric	54	Jordan Company	179	Metallurg	195
B Green & Co	209	Journal Communications	331	Microdot/1984	322
Greenwood Mills	237	Joy Technologies/1987	234	Milliken & Co	29
Grocers Supply Co	123	Joyce International/1984	359	Minyard Food Stores	281
GSC Enterprises	252	Kane-Miller/1984	254	Benjamin Moore & Co	354
Guardian Industries/1985	170	Ben E Keith	343	Moorman Mfg	378
Gulf States Toyota	98	Peter Kiewit Sons	11	Morris Communications	374
H Group Holdings	30	King Kullen Grocery/1980	200	Morse Shoe/1987	205
Haggar Apparel	386	Knoll Intl Holdings	40	MA Mortenson	276
Halc-Haisell	340	Koch Inds	4	Motor Wheel/1987	239
Hallmark Cards	38	Kohler	193	Moyer Packing	271
Harte-Hanks Communications/1984	231			National Amusements	82

The Largest Private Companies in the U.S.

Company	Rank	Company	Rank	Company	Rank
National Beverage/1985	282	Research-Cottrell/1987	305	Swinerton & Walberg	330
National Gypsum/1986	67	Restaurant Enterprises Gp/1986	83	Tang Industries	225
NES	158	Revco/1986	31	Tauber Oil	111
North Pacific Lumber	224	Revere Copper and Brass/1985	284	Taubman Co	104
Northville Industries	393	Rich Products	176	Taubman Investment	105
Oklahoma Publishing	196	Rinker Materials	390	Thomson McKinnon	212
Oppenheimer & Co/1986	150	Ris Paper	360	3 Beall Brothers J	371
Otaaco/1984	350	Rock Island Refining	218	Thrifty Oil	144
Owens-Illinois/1987	17	Rockefeller Group	148	Ticor	186
Oxlow	75	Roger Williams Foods	303	Tops Markets/1987	135
Pace Industries/1984	35	Roseburg Forest Products	229	Touche Ross & Co	66
Pacific Holding	156	Rosenthal Cos	270	Towers, Perrin, Forster & Crosby	315
Palm Beach/1985	306	Ruffin	261	Trammell Crow	88
Pamida/1981	233	Rugby-Darby Group	337	Transammonia	171
RB Pamplin	283	Safeway Stores/1986	2	Triangle Publications	116
Pantry	380	Sammons Enterprises	107	Trump Organization	125
Paragon Group	245	Schnuck Markets	109	UIS	260
Parsons & Whittemore	240	Schottenstein Stores/1980	241	Union Holdings	71
Parsons Corp/1984	131	Schreiber Foods	138	United Co	335
Peat Marwick Main	73	Schwan's Sales Enterprise	227	United Parcel Service	6
CL Peck/Jones Bros Construct	197	Schwegmann Giant Super Mkts	278	United Van Lines	202
Penn Traffic/1987	217	SCI Holdings/1985	177	Vantage Cos	230
Penske	256	Science Applications Intl	198	Walbridge, Aldinger	242
Perdue Farms	108	Scoular	149	Walton Monroe	312
Phelps	257	Scripps Howard	89	Warnaco/1986	201
Philadelphia Hide Brokerage	387	Seligman & Latz/1985	286	Warren Equities	157
PIE Nationwide/1985	172	Services Group of America	53	George E Warren	34
Piggly Wiggly Southern	204	Sherborne Group	216	Wawa	338
Playtex	188	JR Simplot	87	Jervis B Webb	349
PMC	352	Simpson Timber	115	Wegmans Food Markets	119
Ponderosa/1987	220	Six Flags/1987	347	Weil Bros Cotton	375
Pony Industries	301	SnyderGeneral	232	Weirton Steel/1984	81
Potamkin	121	SE Toyota Distributors	63	Frederick Weisman	92
HC Prange	355	Southwestern General	288	West Lumber	372
Price Waterhouse	48	Southwire	213	Westfield Cos	294
Pride Refining/1981	269	Spalding & Evenflo/1982	400	Wheaton Inds	243
Publix Super Markets	16	AG Spanos Construction	308	Whiting-Turner Contracting	376
QuikTrip	302	Sprague Resources	316	Wilbur-Ellis	199
Racetrac Petroleum	275	Steelcase	57	World Carpet	309
Raley's	114	Stephens	329	World Oil Company	389
Randall Stores	346	Steuart Investment	304	Worldmark	289
Randall's Food Markets	181	Stowe-Pharr Mills	348	Worldwide Volkswagen	169
Rapid-American/1981	45	Stroh Brewery	64	WWF Paper	226
Readers Digest Association	62	Sundt	365	Wyatt	106
Red Owl Holdings/1986	143	Supermarkets General/1987	9	Young & Rubicam	183
Refco Group Ltd	388	Sverdrup Corp	357	Yeung's Market	244
Reliance Electric/1986	69	Sweet Life Foods	103	Arthur Young	68
Republic Health/1986	210			HB Zachry	253

The Alamo isn't for sale—yet. But bargain-hunting outsiders are voraciously gobbling up the Lone Star State.

Is Texas losing its independence?

By Toni Mack

THE REPUBLIC OF TEXAS—off on its own and fiercely independent of the 25 states that then formed the United States—existed for a mere nine years a century and a half ago, but it's alive and cherished in the unrepentantly chauvinistic hearts of modern Texans. Remembering the Alamo every chance they get, Texans treasure notions of independence with a unique—some would say obnoxious—vehemence. Never mind that much of its economy hangs on dangerously squabbling Third World oil producers. And never mind, these days, that more and more of Texas is being snapped up by outsiders.

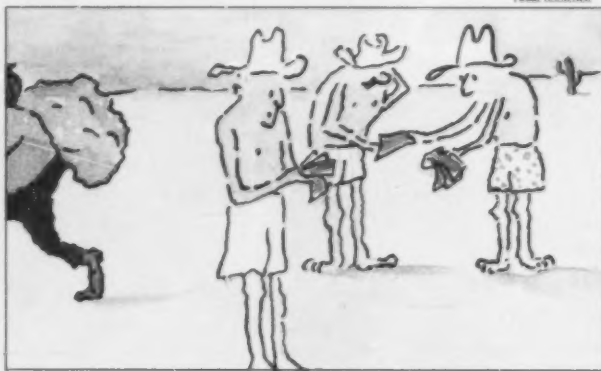
Consider Texas' tallest building—indeed, at 75 stories, the tallest west of the Mississippi—is 85% owned by a group led by Lebanese businessman Rafik B. Hariri. The building houses Texas Commerce Bancshares, which Chemical Bank of New York bought in May.

Coldwell Banker reckons that foreigners already own 17% of downtown Dallas and 30% of downtown Houston. According to the Dallas merger and acquisition firm Rogers & Davine, out-of-state companies spent \$11 billion buying Texas companies in the 18 months ended in June. (See table, p. 188.) Just \$2.3 billion went in the other direction. Even *Texas Business* magazine was sold last year—to New Hampshire's Yankee Publishing Inc. Says Southern Methodist University economist Bernard Weinstein, "The whole state is on sale."

In real estate, bargain hunters began

to flock in early this year, on the premise that the worst of the bust is over. Buyers had a special gleam in their eyes for Dallas, whose diverse economy promises an earlier turnaround than, say, oil-dependent Houston or wildly overbuilt Austin (see following story). Who's buying? "Mostly, we're seeing wealthy individuals looking for a three- to six-year return on their money," says Michael McMenomy of Coldwell Banker's Dallas office.

"We have bought over \$150 million worth of properties in the Dallas area in the last eight months," boasts Reu-



ven Dallal, an Iraqi-born, Israeli-reared Dallasite who opened a London office last year to hawk Texas real estate to Europeans and Arabs. "I tell my investors, 'You're renting Class A office space in London for £50 a square foot. That's about \$90. For less than \$90, you can buy a square foot here.'" He recently bought two suburban Dallas office buildings for 40% of the outstanding mortgage.

Sometimes the discount comes by way of a break on financing. In August, after six months of negotiations, New York investor Robert A. MacFarlane bought two Dallas office build-

ings for \$12 million in cash and restructured mortgages. Here's the sweet part: The lender, First RepublicBank Corp., cut the interest rate from prime-plus-1% to 8½%; for the first two years, MacFarlane has to pay only 4% interest, while the other 4½% accrues unpaid; and the principal, reduced from \$120 million to \$108 million, doesn't have to be paid until 1997. MacFarlane figures he'll net as much as \$65 million.

Note to lusting investors: Plenty of prime property with resilient, muscular backing is not on sale at bargain prices. Says Perry Waughtal, vice chairman of developer Gerald D. Hines Interests, "I could spend full time talking to people who want to buy the Dallas and Houston Gallerias [vast, posh and popular shopping malls]. But they're not willing to offer the price at which we're willing to sell." Owners like Hines, Metropolitan Life and Prudential are strong enough to wait out the downturn.

Not so some of the notoriously weak Texas banks. Soon Houston won't have an independent bank holding company to its name. Texas Commerce has already sold out to Chemical Bank. Pending shareholder votes, Los Angeles' First Interstate Bancorp will buy Allied Bancshares. Chicagoan Robert Abboud is busy rounding up \$500 million in capital to take over First City Bancorp, which the FDIC will infuse with another \$970 million in capital, the second-biggest bank bailout ever.

In Dallas, RepublicBank Corp. chose to make a lonely stand for independence by merging with InterFirst to form First RepublicBank. Still, its success isn't assured, and it remains to be seen whether other big Texas banks, such as Dallas' MCorp, can survive without out-

of-state big daddies.

Retailing? Much the same story. Neiman-Marcus, that legendary shrine of Texas-style service and opulence, was sold out of Texan hands to Carter Hawley Hale of Los Angeles in 1968. Now Chestnut Hill, Mass.-based General Cinema Corp. owns 60% of it. (The rest is publicly traded.)

Sakowitz, another ritzy Texas-based chain that specialized in Russian silver fox coats and the like, is about to fall into Australian hands. Robert Sakowitz, the founder's great-grandson, expanded it into bankruptcy in 1985. A shadow of its former self

Going, going, gone

Texans have been watching some of their most successful businesses and most prominent properties go on the auction block. Herewith, a few of the more notable examples.

Property/location	Business	Buyer/location	Year	Price
Electronic Data Systems/Dallas	data processing	General Motors/Detroit	1984	\$2.5 billion
Texas Commerce Tower/Houston	office building	Rafik Hariri/Lebanon	1985	203 million*
Texas Oil & Gas Corp/Dallas	exploration, production	USX Corp/Pittsburgh	1986	3 billion
Big Three Industries/Longview	industrial gases	L'Air Liquide/Paris	1986	1 billion
Texas Commerce Bancshares/Houston	bank holding company	Chemical New York Corp/NY	1987	1.1 billion
Houston Chronicle/Houston	newspaper	Hearst Corp/NY	1987	415 million

*Estimated price for 85% of building.

(4 less-expensive emporiums, down from 11 big stores and 8 boutiques), Sakowitz will soon be 80% owned by Hooker Corp. of Australia. True-blue Texans who want to buy luxury goods at Texas-owned stores now have only Frost Brothers, owned by Dallas investor Sam Wyly, to turn to.

Plenty of publications, besides *Texas Business*, are going, too. Dow Jones & Co. just bought a minority interest in Mediatex Communications, parent of the enormously successful *Texas Monthly* magazine. Hearst Corp. recently paid \$415 million for the *Houston Chronicle*; it also owns the *San Antonio Light*. San Antonio's other paper, the *Express News*, is owned by Rupert Murdoch's News America Corp.

One Texan, though, is buying back newspapers. Aspiring media baron William Dean Singleton bought the *Dallas Times Herald* from Los Angeles' Times Mirror Co. last year and the *Houston Post* from Toronto Sun Publishing Corp. last month.

The reason for all this is easy to discern. "We're desperately short of capital," says SMU's Weinstein. And still feeling more than a bit shaky about the future. Which is one reason the state's irascible governor, William P. Clements, set up a New York luncheon last month—to beg more than two dozen corporate chiefs who already have Lone Star outposts for more Texas investment. (Sedco, the offshore drilling contractor that

Clements founded, was sold to New York-based Schlumberger in 1984.) Houston's mayor has twice gone to Japan looking for fresh money.

Will this take Texans down a peg or two, make them stop bragging so much about the glories of the Lone Star State? Not likely. "For 25 years I've had Northerners asking me, in effect, 'When are you people going to stop being peculiar and start acting like the rest of us?'" says T.R. Fehrenbach, author of *Lone Star*, the standard historical text on the state. "The answer is, probably never. We'll cling to the myth of independence and empire forever."

But it gets to be more of a myth with each passing day. ■

The worst real estate market in the country? Houston? Nah. Denver? Nope.

Welcome to the capital of Texas

By William P. Barrett

HOW ABOUT A leisurely stroll around downtown Austin (area pop. 750,000). Over on Congress Avenue near the Colorado River sits the 30-story One Congress Plaza office building, four months old and 80% empty. A few blocks north at Brazos and Seventh

streets is 16-story Austin Centre, one year old and 85% empty. The 20-story First City Centre building is nearby, four years old, one-fifth empty but just posted for foreclosure.

Nice market for bottom fishing if you have the cash and the right attitude. Not many do these days. The capital of Texas now has the largest

office vacancy rate of any big metropolitan area in the nation, 39.6% of its 23 million Class A square feet, according to Coldwell Banker Commercial Real Estate Services. The Austin residential market isn't so hot, either. House prices are down, and about 14% of its 86,000 apartments are empty. By several estimates, more than 80% of Austin homebuilders are now "inactive." That's the polite word in Texas for out of business.

The surprise here is that only a tiny part of this disaster can be blamed on the crash in oil prices. Unlike Houston or even Dallas, Austin never had much energy-related business. Indeed, the oil blues have created some new jobs in Austin. State government home offices, for example, are now swollen with bureaucrats transferred from field offices shuttered by oil crash budget cuts.

Austin, however, is an object lesson in quite another brand of overreaching and optimism, Texas style. As recently as three years ago, this quiet and lovely city, nestled in the hill country of the state's south-center,

Statistical Spotlight

Suppose you want to spend your income without impairing your capital. What kind of yield can you allow yourself in an inflationary economy?

Sustainable yield

By William Baldwin

DON'T DIP INTO CAPITAL," said our conservative forbears. When most capital took the form of land, that admonition was easily heeded. The owner of an estate lived off its fruits and sold acreage

only when the sheriff was at the door.

The question is a little trickier if capital is a portfolio of securities. Given inflation—and inflation usually is given—some portion of the total return must be reinvested merely to maintain the estate. Spend the entire coupon from a bond and you may find,

a decade later, that the principal's purchasing power is half gone. Or worse.

Stocks, on the other hand, hold out the hope of keeping their owners whole, so long as capital gains are reinvested and only the dividends are spent. Charles Ellis of Greenwich Associates, business strategy consultants, gives an example: "You could invest the portfolio and get 4% in dividend return. That dividend you could realistically expect to grow at 6%, which would be just about enough to offset the ravages of inflation." The principal, presumably, would also appreciate at 6%, keeping a level value in real terms, he says.

Sounds reasonable, but it's not so simple to do. It's not easy to find stocks with good yields, well covered by earnings and cash flow, and a history of keeping dividends up with the cost of living. Indeed, on the Value Line compact disk of 1,666 common stocks, we found only 21 that meet what we feel are reasonable criteria for providing both income and inflation protection. Here were our specific criteria:

Yield of 5% or more.

Earnings and dividends per share growing over the past decade at least as fast as the price index.

Forecast for 1988 earnings no lower than 1986 earnings.

Current dividend payout no greater than 75% of earnings and no greater than 50% of cash flow, which Value Line defines as earnings plus depreciation and amortization.

In short, the income from this assortment of stocks should be fairly safe for the time being.

Even this basket of stocks wouldn't necessarily do the trick: Alas, taxes must be paid not only on the dividend income but also on capital gains. Some or all of those gains will not be true income at all but will merely maintain the investor's purchasing power. In short, after taxes and inflation, the stockholder who is investing for income may be lucky to have as much as a 4% spendable annual return. If he takes more, he may be dipping into capital.

A further caution is in order. This list, like any list of high-yield stocks, contains a heavy dose of utilities. They may not survive the next bout of inflation as well as they have the last one. The tobacco stocks don't have that problem, but they have lawsuit risks. It's hard to find a stock that has everything right with it.

Put it this way: Unless you've got an awful lot of capital, living well off it without penalizing your heirs isn't easy. ■

Steady income

These companies have kept payouts up with inflation since 1977.

Company/business	Yield ¹	Price	Per-share growth ²		Ratio dividends to	
			earnings	dividends	earnings	cash flow
New England Electric/NE elec util	8.5%	24½	10.0%	7.5%	64%	31%
Providence Energy/gas distrib	7.3	27	17.5	10.5	63	40
Florida Progress/Fla elec util	7.0	35½	7.5	8.0	66	37
Consolidated Edison/NYC elec util	6.9	43½	9.5	14.5	66	43
Southern Indiana Gas/elec & gas distrib	6.8	32½	8.0	9.0	64	34
Shell Transport/oil production	6.8	70½	7.5	16.5	54	24
National Fuel Gas/gas distrib	6.5	18½	9.5	8.0	64	34
UtiliCorp United/Missouri elec util	6.4	16	9.5	8.5	59	29
Jostyn/electric components	6.4	24½	8.5	10.0	61	48
Am Bankers Ins/insurance	6.3	7½	13.5	10.0	38	19
Questar/gas distrib, explor	6.0	31½	8.0	8.5	60	30
DeSoto/paints, coatings	6.0	23½	14.0	11.5	66	26
Louisiana Gen Serv/gas distribution	5.9	11½	9.0	11.5	48	18
Countrywide Credit Ind/mortgage bnking	5.7	6½	39.5	22.0	20	17
Chemed/cleaning products	5.3	30½	9.0	16.5	32	24
UST/snuff, chew tobacco	5.2	24½	17.5	18.5	53	46
Aon ³ /individual insurance	5.2	23½	9.5	13.0	40	NA
Berry Wright/computer furniture	5.1	12½	15.0	19.0	72	37
Lincoln Telecomm/Nebr tele util	5.0	23	8.5	9.5	52	20
Federal-Mogul/auto components	5.0	31½	11.5	8.0	71	30
American Brands/cigarettes, liquor	5.0	42½	12.0	11.5	51	40

¹Based on estimated dividends, next 12 months. ²Past 10 years. ³Formerly Combined Intl.

Source: Value Line Investment Services via Lotus One Source

Numbers Game

Give insurers a free lunch, and they'll complain that you forgot the champagne.

Fresh-start blues

By Jill Andresky

IF ANYONE WANTS PROOF that numbers can lie, he need look no further than the rosy earnings being racked up by property-casualty insurers this year: 60% in gains for CNA Financial; 20% for Aetna; a dramatic \$1.50 a share turnaround for Orion Capital, which last year lost \$10.77 a share.

Those numbers are illusory. They come not simply from management prowess but from a lobbying drive by the insurance industry to recoup at least part of its losses from last year's Tax Reform Act. The result: a massive, multibillion-dollar freebie called the fresh-start tax credit. Without it, CNA's earnings growth would be only half as impressive as it appears. Many other big companies would also be hard hit (see table).

Unfortunately, because disclosure rules are lax, investors typically will have to hunt through annual report footnotes to find any mention of how the tax credit has distorted earnings results. The Financial Accounting Standards Board is due to release new rules on deferred tax liabilities this month, but these will give companies so many different options about when to report fresh-start credits that comparing results between insurers will become next to impossible.

What exactly is fresh start? It all goes back to the industry's glory days before tax reform, when property-casualty insurers were allowed 100% tax deductions against current income for loss reserves set aside that year—even if the reserves might not have to be touched for many years.

Behind the veil

How much will the fresh-start tax credit distort property-casualty insurers' performance results in 1987? Let's compare last year's reported operating earnings for eight large insurers with this year's projections—with and without the fresh-start benefit.

Company	1986 EPS	1987 estimated EPS—	
		(without fresh start)	(with fresh start)
Aetna	\$6.18	\$6.60	\$7.75
American Intl	5.10	4.04	4.64
CNA Financial	4.02	5.15	6.40
Continental	3.32	4.60	5.30
Fireman's Fund	2.35	-0.20	1.00
Geico	6.91	8.25	9.15
St Paul Cos	3.33	5.80	7.30
Transamerica	2.55	3.50	3.80

Source: Fox-Pitt, Kelton.

Under tax reform, companies now must actuarially discount and carry forward the remaining amount of the deduction annually over the likely life of the loss payment. That means higher taxes each year and thus lower reported earnings than before the enactment of reform.

Property-casualty insurers fought back, and the result was fresh start, which provides that companies that have already deducted reserve funds against income in prior years now get to deduct a portion of those reserves a second time—this time as an actual credit against taxes owed. The re-

forms could have been instituted without fresh start, but the credit helped pacify the irate property-casualty insurers.

Companies have three years in which to take advantage of the credits, and the provisions for doing so are numbingly complex. But as a basic rule of thumb, the longer a company's property-casualty policies tend to take to pay out, the larger its fresh-start benefits will tend to be. That means companies like St. Paul Cos., one of the country's largest property-liability insurers, which relies heavily on medical malpractice, will benefit more than Geico, which writes quick-payout car policies.

But once the credits are used up, earnings of fresh-start beneficiaries will drop to where they otherwise would have been. "It's the equivalent of eating a candy bar at 4 in the afternoon," sniffs Peter Burgess, head of Arthur Andersen's insurance audit and accounting practice. "Companies get an immediate high and then fall into a depression half an hour later."

What's an investor to do? Some analysts have decided to factor out fresh start from their forecasts entirely. By contrast, accounting rulemakers have decided to leave the matter of how to treat the credit's gains for reporting purposes up to the companies themselves. "Fresh start is just considered another factor in this year's tax calculations—not an extraordinary item," says Brian Zell, a senior manager in the insurance practice of Ernst & Whinney. "It's really up to companies to decide if the amount is 'material' and worth disclosing somewhere as a separate item."

By 1989 the credits will have worked their way through and off the industry's books, and insurance company earnings will once again begin to reflect the nature of the business and the competitive abilities of the companies involved. Meanwhile, insurance industry investors face a familiar problem: groping for clues in the dark.

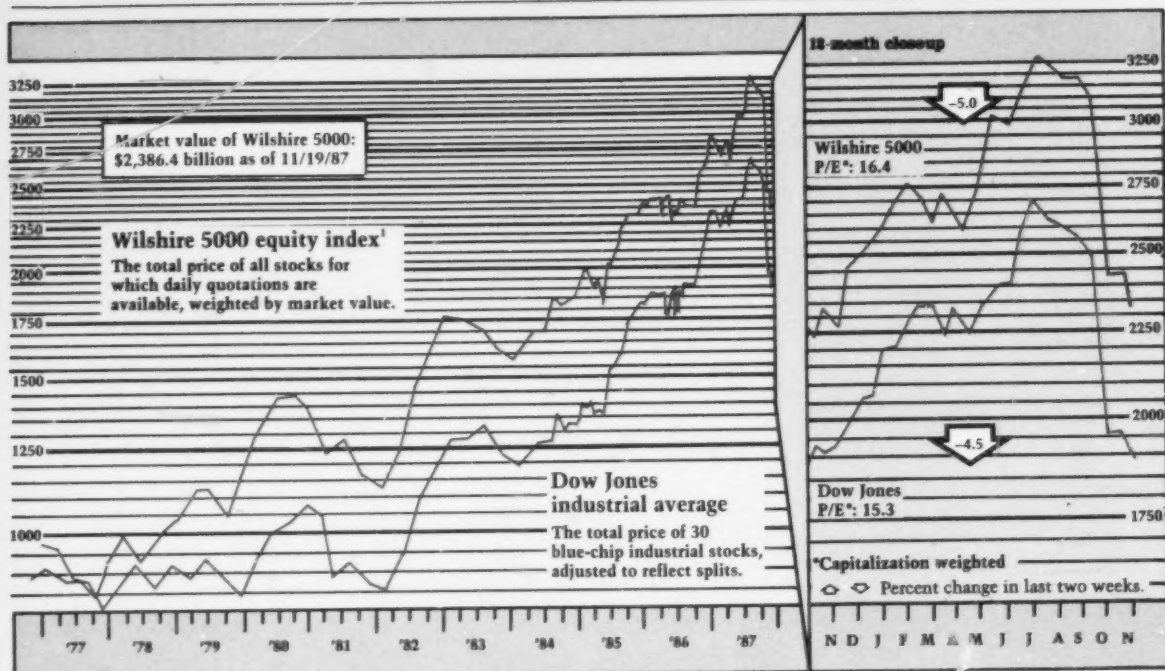
Behind the ESOP surge

The rubble from Black Monday had barely stopped bouncing when the employee stock ownership plan at Dennison Manufacturing set out to borrow \$20 million to buy stock in the Framingham, Mass.-based office supplier. With the stock now at around 23½, down from its summer high of 35, the ESOP intends to buy 750,000 shares, boosting its ownership of Dennison from 14% to 19%.

Dennison's isn't the only ESOP

The Forbes/Wilshire 5000 Review

Edited by Steve Kichen



More fallout. Efforts to fix the damage from Meltdown Monday went for naught during the last two weeks. The overall market, as measured by the Wilshire index, lost \$122 billion, or 5%. Investors, still smarting from the October decline, were put off by continued weakness in the dollar and lack of firm progress on the budget deficit.

Although prices moved lower, daily price swings and trading volume returned to more normal levels. The market cooled down despite the resumption of programmed

trading and the return to normal-length trading sessions. The cash in money market funds hit a record \$306 billion, according to the *Money Fund Report*, a Holliston, Mass.-based newsletter that tracks money market funds. Will this money go back into stocks? Perhaps. Although analysts have slashed 1988 earnings estimates, the Forbes Sales 500, for example, are priced at a relatively low 9.6 multiple of estimated 1988 earnings. The risk is that the forecast may be too high.

Closeup On the Equity Markets

Performance of six leading indexes

Percent change	Wilshire 5000	Forbes 500 ²	Dow Jones industrials	NYSE Composite	Amex Market Value Index	NASDAQ Composite
in last 4 weeks	-4.3	-3.4	-2.8	-3.4	-10.1	-6.6
in last 52 weeks	-4.2	-2.3	1.9	-3.1	-7.6	-10.9

Stock performance based on six key investor yardsticks

Percent change	Company size		Volatility ³		P/E multiple		Dividend yield		Growth profile ⁴		Share price	
	large	small	high	low	over 25	under 5	over 7.5%	none	high	low	over \$40	under \$4
in last 4 weeks	-2.8	-5.3	-6.7	-3.3	-7.2	-4.9	-2.5	-6.5	-5.9	-2.8	-2.9	-7.7
in last 52 weeks	-3.4	8.8	13.5	3.8	-10.5	-9.0	-6.0	20.0	15.0	-3.9	-2.9	3.2

¹Wilshire index reflects price performance. It differs slightly from market value of outstanding stocks because of retirements of equity since index was created. ²Based on sales. ³A stock's sensitivity to overall market movement. High-volatility issues have wide price fluctuations, low-volatility issues are more stable. ⁴A quantitative evaluation of a stock's growth image, determined by Wilshire Associates.

Note: All data for periods ending 11/19/87. Prepared by Wilshire Associates, Santa Monica, Calif.

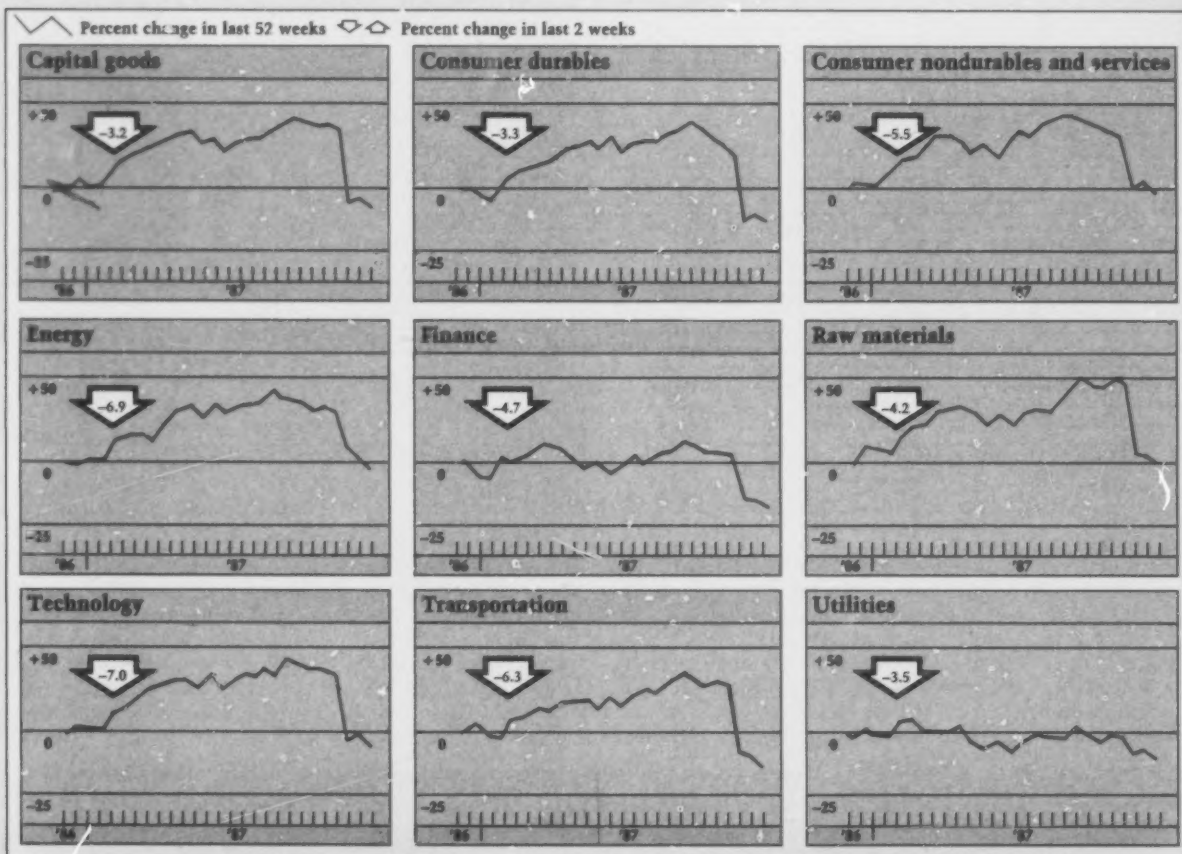
Gay French

Where the Action Is

Losers everywhere. Compared with Oct. 19, the recent two-week decline looks mild. Nevertheless, a broad group of stocks suffered significant losses. Three sectors did miserably: technology, energy and transportation. Technology saw Prime Computer, General Instrument, Tektronix, Texas Instruments and Intel suffer losses ranging from 17% to 24%. The sector's fourth-best-performing

stock was Thomas & Betts, which was off 0.5%.

Energy and transportation also had losers among their top performers. Laidlaw Transportation and Federal Express, the fourth- and fifth-best performers in transportation, were off 1%. The largest losses were racked up by AMR, Ogden, Roadway Services, Yellow Freight and Texas Air.



What the Analysts Think

Last burrah! In the last two weeks analysts raised their 1987 earnings estimates for the consumer durables sector by 2.4%. General Motors, B.F. Goodrich, Ford and Good-

year show higher 1987 forecasts. For 1988, however, analysts are now cutting about two consumer durables estimates for every one they increase.

Forecasting the Forbes Sales 500

Performance period	Average earnings per share	P/E
Latest 12 months	\$2.33	15.4
1987 estimates	2.86	12.6
1988 estimates	3.75	9.6

Rank based on change in estimate	Sector	Estimated 1987 EPS	P/E	% change in 1987 estimate in 2 weeks	% change in 1987 estimate in 4 weeks
1	Consumer durables	\$4.75	10.4	2.43%	3.02%
2	Raw materials	2.44	12.5	1.27	1.19
3	Utilities	2.38	9.7	0.21	0.21
4	Technology	2.46	13.2	-0.16	-0.57
5	Consumer nondurables	2.34	13.4	-0.33	-0.59
6	Capital goods	2.18	16.3	-0.61	-0.64
7	Energy	2.35	14.1	-0.81	-0.55
8	Transportation	2.03	12.8	-1.95	-2.50
9	Finance	1.43	17.7	-5.48	-7.38

Earnings projections are capitalization-weighted consensus estimates from over 2,000 security analysts. Data are compiled and updated continually by the Institutional Brokers Estimate System (IBES), a service of Lynch, Jones & Ryan, a New York-based brokerage firm.

Note: All data for periods ending 11/19/87. Prepared by Wilshire Associates, Santa Monica, Calif.; IBES, a service of Lynch, Jones & Ryan, New York.